vaccibody

Annual Report
2020

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Our business

Vaccibody in brief

Vaccibody

Vaccibody is a clinical-stage biopharmaceutical company dedicated to the discovery and development of novel vaccines and immunotherapies for cancer and infectious diseases. Founded in 2007, Vaccibody is using its vaccine technology platform to generate best-in-class therapeutics in indications/diseases with a significant unmet medical need. The Company is a leader in the rapidly evolving field of cancer vaccines and currently has two clinical-stage product candidates: an individualized cancer neoantigen vaccine and a vaccine against HPV16-related cervical cancer.

Vaccibody has 51 employees (end of 2020; 60 employees at the end of the first quarter of 2021) located in Oslo, Norway, and collaborations with a number of internationally renowned companies. Vaccibody's shares are traded on the Euronext Growth (Oslo)*.

The Vaccibody™ vaccine technology platform at a glance

Vaccibody is developing cutting-edge, targeted vaccines for clinical use, based on a deep understanding of immunological principles. Vaccibody's vaccines specifically target Antigen Presenting Cells (APC), which are essential for inducing rapid, strong and specific immune responses, thereby eliciting efficacious clinical responses.

By intelligent design, Vaccibody's vaccines can be tailored to induce the desired immune response profile correlating with protection for each specific disease with any given antigen. Hence, the Vaccibody™ vaccine platform has the potential to address many disease areas with a high unmet medical need, such as cancer and infectious diseases.

Vaccibody's lead products

Vaccibody's lead product candidates are VB10.NEO, an individualized therapeutic cancer neoantigen vaccine currently being evaluated in a Phase I/IIa clinical trial and exclusively licensed to Genentech; and VB10.16, a therapeutic cancer vaccine against HPV16-related cancers currently being tested in a Phase II clinical trial.

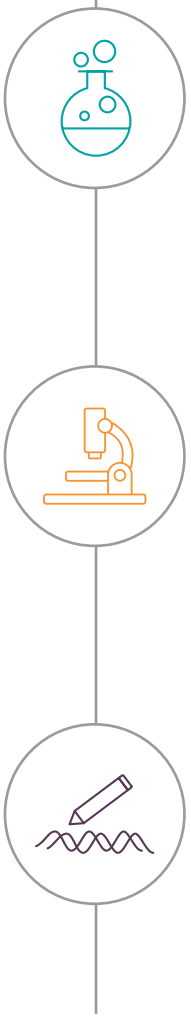
The potential advantages of the Vaccibody™ vaccine

Vaccibody's vaccine platform offers potential advantages with respect to important parameters, such as safety, immunogenicity and clinical efficacy, speed of development, stability of the product and rapid manufacturing and scalability. This may grant Vaccibody a favorable position as a leader in the field of cancer vaccines and infectious diseases.

While the Company solidifies the value of its vaccine platform through advancements in the clinical programs, it continues to build the platform for other therapeutic areas, strengthening the team and the partnerships required to bring these innovative therapies to patients worldwide. Vaccibody has built an exceptional cross-functional team with the necessary expertise needed to research and develop products with best-in-class and first-in-class potential. Its proprietary platform technology has been validated by several partners and the Company is leveraging its molecular biology and technology know-how to explore new therapeutic areas and different therapeutic modalities.

For more information, please visit www.vaccibody.com

* Euronext Growth (Oslo), operated by Oslo Børs ASA, the Oslo Stock Exchange and since June 2019 part of Euronext, the Pan-European exchange group.



Letter to shareholders

Continuing our transformational journey

Dear shareholder,

2020 was another groundbreaking year for Vaccibody.

Our vision is to become a leading vaccine technology company developing game-changing medicines within multiple therapeutic areas. In 2020, we continued this transformational journey. Our purpose is to deliver best-in-class new medicines to meet unmet medical needs from patients, and to optimize the value created for our shareholders.

During the year, we formulated a clear strategy to meet our vision: to further leverage our technology platform; to accelerate and expand our pipeline; and to seek strategic partnerships that complement our strengths.

We delivered on our strategy in 2020. On October 1, we announced a worldwide multi-year license and collaboration agreement with Genentech, a member of the Roche Group and a partner of choice for Vaccibody, to develop Vaccibody's individualized neoantigen cancer vaccines based on VB10.NEO across multiple tumor types. Vaccibody may receive up to USD 715 million and in addition, low double-digit royalties on net sales of commercialized products. This includes initial upfront and near-term payments of USD 196 million, which were received by the end of 2020, and potential milestone payments of up to USD 515 million. The agreement met three important objectives for Vaccibody: It validated our technology platform; it validated one of our clinical development projects; and it provided the Company with financial resources to continue the transformation of the Company.

In 2020, we continued our transformational journey to become a leading vaccine technology company; entered into a collaboration agreement with Genentech; and expanded our R&D scope to include infectious diseases.

We announced our entry into the infectious disease area in April 2020. In December, we further announced: Our future R&D scope to include vaccines against infectious diseases; our strategy for maximizing the potential of Vaccibody's technology within treatments of infectious diseases; as well as very promising pre-clinical data for our next-generation COVID-19 vaccine program, VB10.COV2.

We believe that the VB10.COV2 vaccine candidate has the potential for a single-dose regimen; persistent protection in all age groups through the generation of rapid and long-lasting neutralizing antibodies and a balanced CD4+ and CD8+ T cells response; rapid adaptation to variant changes in antigens; ease of manufacture on a large scale; as well as being stable at +2°C to +8°C. In addition, VB10.COV2 indicates the ability to target a range of new and challenging variants of COVID-19, e.g. via conserved T-cell epitopes, which is expected to become key in the longer-term fight against COVID-19.

Vaccibody's entry into the infectious disease area illustrates the potential of Vaccibody's technology platform to facilitate the development of novel treatments in a range of different therapeutic areas.

In the oncology area, we started our second clinical Phase II trial with our VB10.16 vaccine candidate, in combination with Roche's checkpoint inhibitor atezolizumab

(Tecentriq®). Also, Vaccibody and Nektar Therapeutics dosed the first patient in a Phase I/IIa study arm evaluating VB10.NEO in combination with bempegaldesleukin. Further, we finalized the enrolment of patients into our VB N-01 Phase I/IIa trial with VB10.NEO despite the operational challenges presented by the COVID-19 situation.

In order to facilitate the above achievements, we grew the organization from 24 employees at the end of 2019 to 51 at the end of 2020. We expect to continue to significantly increase the Vaccibody organization in order to execute our ambitious strategy.

During 2020, Vaccibody experienced continued significant interest from both Norwegian and international investors. By April 1, 2021, we had more than 4,300 shareholders, just over nine times the number at the same time last year. With a view to increasing transparency and liquidity in Vaccibody's shares, the Company applied for admission and facilitated that Vaccibody's stock is now traded on Euronext Growth (Oslo).

Vaccibody ended 2020 on a strong note, having executed on its strategy; with cash and cash equivalents of USD 184 million following the receipt of USD 196 million from Genentech; and with a strong organization to execute our strategy and realize our vision. Hence, we are in an excellent position to continue our journey and to remain focused on transforming the Company to become a vaccine platform-focused biopharmaceutical company dedicated to the discovery and development of novel immunotherapies.

Looking ahead to 2021, our main focus includes several important milestones with respect to our development programs related to VB10.COV2, VB10.16 and VB10.NEO. A detailed overview of our clinical objectives for 2021 is provided on page 8.

In addition, Vaccibody announced in March this year that the Company has initiated a process to explore a potential listing of Vaccibody on the Nasdaq Global Market in the United States. This process reflects the continued clinical and strategic advancement of Vaccibody's portfolio of innovative vaccines and novel immunotherapies as well as the growing interest international investors are showing in Vaccibody. The timing of any potential listing will be considered as part of this review process and any potential listing would be subject to prevailing conditions in equity capital markets at such possible relevant time.

The COVID-19 pandemic highlighted the importance of science and innovation to drive improvements forward for mankind. Vaccibody continues to monitor the developments related to the pandemic and follows recommendations from various local authorities and governmental agencies. Vaccibody has set up precautionary initiatives to help limit the negative impact of the pandemic at our workplace to best protect our employees and to ensure business continuity.

On behalf of the Board of Directors and the Executive Management, we would like to thank all Vaccibody™ employees for their continued dedication and exceptional contribution during 2020. Further, we would like to extend our sincere gratitude to our shareholders for their continued support of Vaccibody's cause. Finally, we thank the patients, their families and our investigators for helping us in our quest to develop medicines that matter.

April 20, 2021

Anders Tuv
Chairman of the Board

Michael Engsig
CEO

2020 highlights

April
Initiated research in infectious diseases

July
First patient dosed in VB C-02 Phase II trial of VB10.16 in combination with Roche's atezolizumab in advanced cervical cancer

August
Vaccibody and Nektar Therapeutics dosed first patient in Phase 1/2a study arm evaluating VB10.NEO in combination with bempegaldesleukin

August
Finalized patient enrollment in VB N-01 Phase I/IIa trial with VB10.NEO

October
Entered into worldwide, exclusive license and collaboration agreement with Genentech to develop VB10.NEO, individualized neoantigen cancer vaccines

October
Expanded R&D focus and strategy

October
Listed on Oslo Stock Exchange's Merkur Market (now Euronext Growth (Oslo))

December
Reported promising preclinical data with a second generation COVID-19 vaccine and announced infectious disease strategy

2020 key figures

USD 1000	2020	2019
Total revenue and other income	215,695	1,412
Total operating expenses	37,430	15,355
Operating profit (loss)	**178,265**	**-13,943**
Net profit (loss) for the year	**149,774**	**-13,696**
Net proceeds from equity issues	-	26,049
Net cash flow	173,957	6,318
Cash and cash equivalents, year-end	183,851	10,166
Outstanding shares, year-end	284,785,180	54,973,080
Cash and cash equivalents/ total assets	80%	30%
Equity ratio	78%	83%
Equity	178,850	27,631
Total assets	230,028	33,386
Employees, average	33	23
Employees, year-end	51	24

2021 outlook and clinical objectives

The Company has a clear strategy for the year ahead.

A detailed overview of Vaccibody's clinical objectives for 2021 is provided in the table below. The primary clinical objectives are:

- Initiation of the VB N-02 clinical trial with VB10.NEO in collaboration with Genentech
- Update regarding preclinical data for VB10.COV2
- Complete the enrolment of patients into the Company's VB C-02 clinical trial with VB10.16 in cervical cancer

Program	Clinical trial	Activity	Comments
VB10.NEO	VB N-02	Initiation of trial	Initiation of VB N-02, Phase Ib trial
VB10.COV2	-	Pre-clinical update	Pre-clinical update on VB10.COV2
VB10.16	VB C-02	Safety data for first patients	First safety data from VB C-02 trial in cervical cancer
VB10.16	VB C-02	Fully enrolled	Fully enrolled VB C-02 trial in cervical cancer
VB10.16	VB C-02	Interim clinical data	Interim clinical data for first patients from VB C-02 trial in cervical cancer

Financial review

First-time adoption of IFRS

The financial statements of the Company for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements of the Company represent the first financial statements in accordance with IFRS. Please see note 7.1 for details on first time adoption of IFRS.

Income statement

The net result for the 2020 fiscal year was a net profit of USD 149.8 million compared to a USD 13.7 million loss in 2019. The increase in profit in 2020 is mainly a result of the agreement with Genentech, announced in October 2020. The agreement is an exclusive worldwide license and collaboration agreement for the development and commercialization of DNA-based individualized neoantigen vaccines for the treatment of cancers. Under the terms of the agreement, Vaccibody recorded revenues of USD 215.0 million in 2020.

Operating income

Total operating income amounted to USD 215.7 million in 2020 (USD 1.4 million in 2019) and mainly consisted of license income as a result of the above agreement. The Company had a total of USD 0.7 million in other income, primarily government grants.

Operating expenses

Total operating expenses amounted to USD 37.4 million in 2020 compared to USD 15.4 million in 2019. Employee expenses increased to USD 16.0 million (USD 6.1 million in 2019). The increase was primarily caused by the planned increase in headcount from 24 to 51 and expenses related to the Company's share option plan.

Other operating expenses amounted to USD 21.1 million in 2020 (USD 9.1 million in 2019). The increase was primarily related to research and development expenses, consulting and legal services for 2020.

Net financial income and expenses

Net financial income and expenses increased to USD 2.6 million in 2020 compared to USD 0.2 million in 2019. The increase was related to interest income on the Company's cash and cash equivalents and gain on foreign exchange, and movements in the fair value of financial investments. This was partly offset by net currency losses.

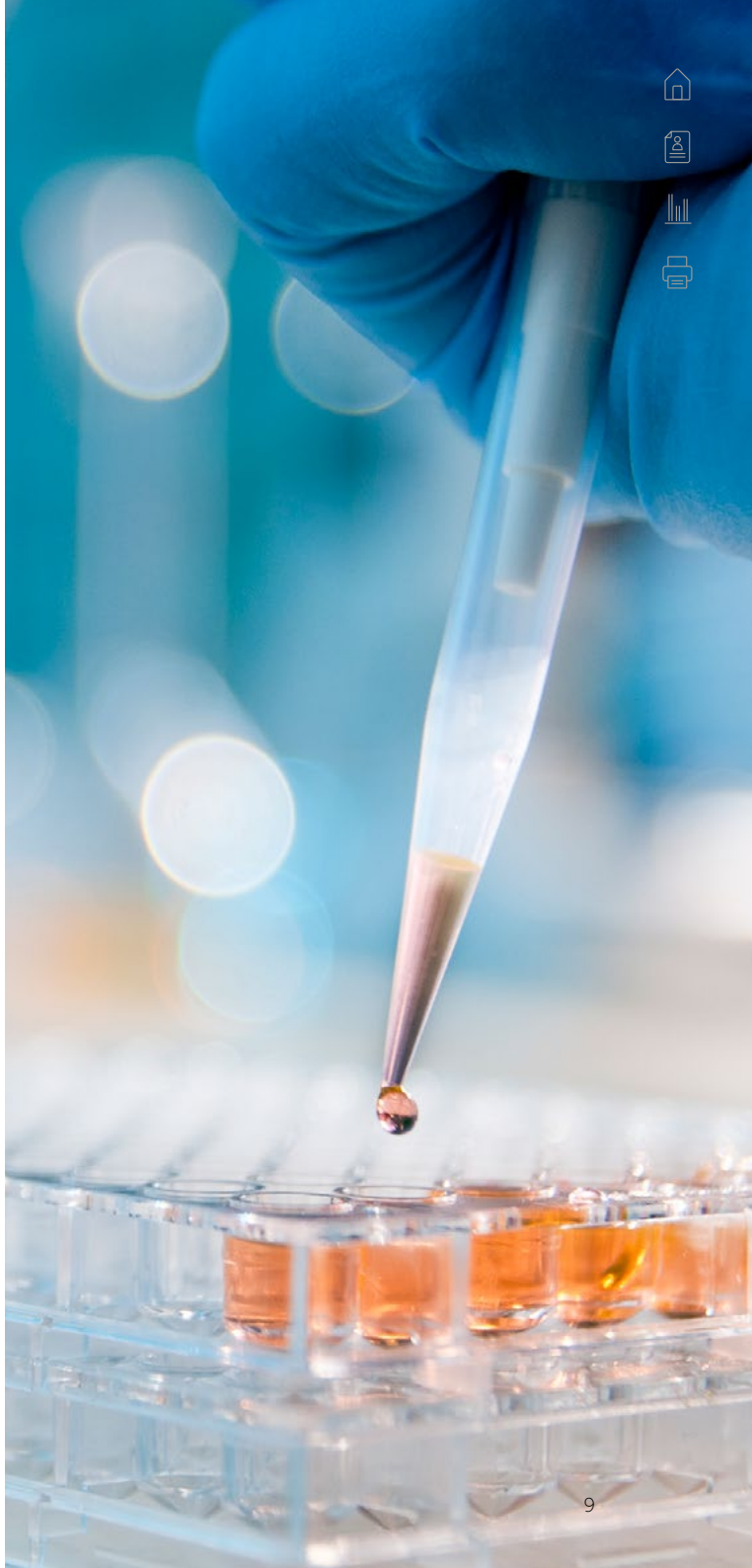
Income tax expenses

The Company recognized income tax expenses of USD 31.1 million in 2020 compared to USD 0 million in 2019. The increase is mainly related to the income recognized from the agreement described above. Income tax payable is USD 0 million as the tax expense relates to changes in deferred tax.

Statement of financial position

Cash

At December 31, 2020, Vaccibody had a cash position of USD 183.9 million compared to USD 10.2 million at December 31, 2019. The increase of cash is mainly a result of the agreement with Genentech in October 2020, and the corresponding cash payments of USD 196.3 million in 2020.



Equity
At December 31, 2020, total equity amounted to USD 178.9 million, compared to USD 27.6 million at December 31, 2019. The change mainly reflects the net result of the year of USD 149.8 million and the exercise of warrants.

Trade receivables
At December 31, 2020, trade receivables amounted to USD 3.8 million, compared to USD 0.001 million at December 31, 2019. The increase is related to the partial invoiced amount payable in 2021 under the agreement described above.

Trade and other payables
At December 31, 2020, trade and other payables amounted to USD 9.2 million, compared to USD 2.3 million at December 31, 2019. The increase is mainly related to fees in connection to advisory services related to the license agreement with Genentech.

Contract assets
At December 31, 2020, total contract assets amounted to USD 15.0 million, compared to USD 0 million at December 31, 2019. The contract assets relate to earned revenue not invoiced under the Genentech agreement.

Other current financial assets
At December 31, 2020, total other current financial assets amounted to USD 24.9 million compared to USD 21.7 million in 2019. The increase relates to the purchase of additional shares in money market funds.

Cash flow

Cash flow from operating activities
Net cash flow from operating activities was USD 180.3 million in 2020, compared to negative USD 10.5 million in 2019. This was primarily driven by the increase in profit before tax.

Cash flow from investing activities
Cash flow from investing activities was negative USD 6.0 million in 2020, compared to negative USD 9.1 million in 2019. The reduction in net cash flow from investing activities was a result of increased proceeds from the sale of financial instruments (USD 6.3 million), offset by the increase in the purchase of financial instruments (USD 3.2 million).

Cash flow from financing activities
Cash flow from financing activities was negative USD 0.3 million in 2020, compared to USD 25.9 million in 2019. The difference relates to the issuance of equity in 2019.

Net change in cash and cash equivalents was USD 174.0 million in 2020, including foreign exchange effects, and cash and cash equivalents increased to USD 183.9 million at the end of the year, compared to USD 10.2 million at the end of 2019.

Events after balance sheet date

Non-adjusting events
On January 8, 2021, Vaccibody Denmark A/S was registered as a limited liability company, wholly owned by Vaccibody AS. Vaccibody Denmark A/S is incorporated in Denmark with the objective to perform business consulting and other management consulting activities to Vaccibody AS. There have been no other significant non-adjusting events after the reporting date, December 31, 2020.

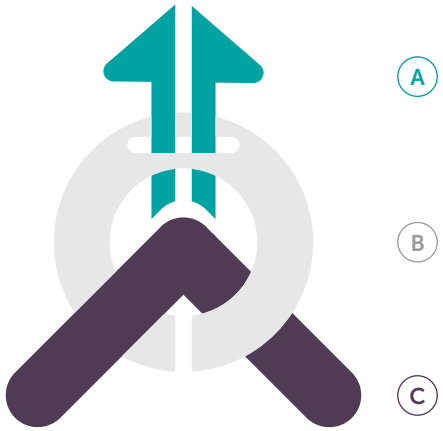
The Vaccibody™ vaccine technology platform

The Vaccibody™ molecule

Vaccibody's proprietary, targeted vaccine platform centers around the ability to induce fast, strong and long-lasting specific immune responses. The MIP-1α targeting unit used in ongoing clinical trials elicits unique breadth and strength in CD8 T cell responses. Further, preclinical data suggests that Vaccibody's targeted vaccines may induce clinically meaningful responses at lower and fewer doses compared to equivalent non-targeted vaccines.

The selected targeting unit determines the delivery of the antigen to specific subsets of APC or cell type, which ultimately affects the kinetics and immune response profile correlating with protection. The MIP-1α targeting unit used in Vaccibody's two clinical products has been selected due to its ability to attract APC and induce rapid, strong and dominant CD8 killer T cell responses combined with supporting CD4 helper T cell responses. CD8 killer T cell response has been shown to be important for killing tumor cells and the important role of T cell responses in infectious diseases has also become more evident in the current COVID-19 pandemic. The unique ability to induce a strong CD8 killer T cell response distinguishes the Vaccibody™ platform from both conventional vaccines, including non-targeted DNA vaccines, and RNA- and peptide-based vaccines.

The Vaccibody™ vaccine has demonstrated a favorable safety profile and has the potential to be used in a number of different disease areas, including cancer and infectious diseases.



The recombinant Vaccibody™ protein consists of three modules:

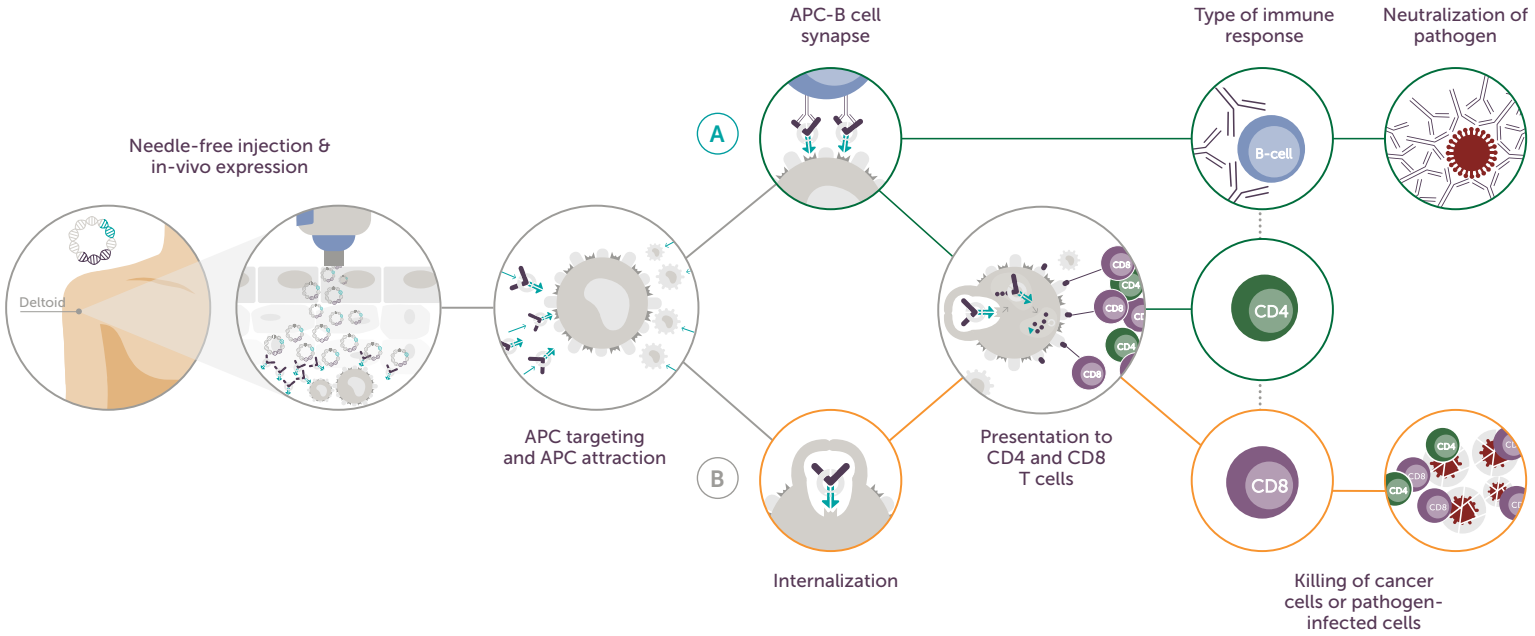
A: The targeting unit, which targets and delivers the antigens to the immune system's Antigen Presenting Cells (APC). The targeting unit may be selected to optimize delivery of the antigen to the optimal cell subset of APC. This controlled delivery allows for induction of a specific immune response profile that correlates with protection for each specific disease, e.g. antibody, CD4 (Th1/Th2/Th17)- and/or CD8 T cell responses.

B: The dimerization unit, which joins the protein into the dimeric Vaccibody™ format. The dimerization helps facilitate attraction, activation and internalization into the APC by crosslinking receptors on the surface of the APC. It has an additional function bridging an APC and B cell through a B-cell receptor recognizing the antigen which can form an APC-B cell synapse triggering rapid and strong antibody responses.

C: The antigens selected, to which a specific immune response is generated. These may be selected to fight a vast range of disease areas, including cancer and infectious diseases. The flexibility of the platform allows for a broad immune response and for inclusion of large globular antigens and multiple sets of T cell epitopes.

A targeted vaccine – mechanism of action

The Vaccibody™ vaccine is delivered as a DNA plasmid using a needle-free jet injector that injects the plasmids into the muscle cells. Inside the cells, the DNA plasmids provide the information to produce the Vaccibody™ protein in the same way that cells produce other human proteins. The newly encoded Vaccibody™ proteins are then secreted from the cells, and target and recruit the APC. Depending on the choice of targeting unit, different subsets of APCs will be targeted and thus the immune response may be skewed towards e.g. humoral (antibodies) or cellular (T cells) or variations thereof:



A: The Vaccibody™ protein may form an APC-B cell synapse which may lead to rapid and strong B cell activation responsible for mediating the production of antigen-specific antibodies. These antibodies may then neutralize a pathogen such as the SARS-CoV-2 virus.

B: The Vaccibody™ protein may cross-link to receptors on the APC which provides an activation signal to the APC and induces efficient maturation of the APC. The ligating leads to receptor-mediated internalization and the antigens from the Vaccibody™ protein are then processed and antigenic epitopes are presented on MHC class I and MHC class II molecules to CD4 and CD8 T-cells. This results in an antigen-specific T cell response. In the case of the MIP-1α targeting unit, cross-presentation and thus loading of epitopes on MHC class I and activation of the CD8 killer T cells are particularly effective and these cells are responsible for directly killing the cancer cells or cells infected by a pathogen e.g. a virus with the specific antigen.

Oncology

Cancer

Cancer remains the second-leading cause of death in the industrialized world and incidence rates are growing. The cause of cancer is manyfold, and genetics, environment and lifestyle factors play a role in the evolution of cancer in different parts of the world. Even though there have been important breakthroughs in recent decades, there is still a high unmet need in the treatment of cancer.

Historically, cancer was considered a single disease. Today, there are more than 200 different known cancer types and a growing understanding of a need for personalized treatment approaches, not only between different cancer types, but also within specific tumor types. Traditionally, cancer therapy has consisted of surgery, radiotherapy and chemotherapy as the key approaches. Even though these are still important elements in cancer therapy, the recent decade has shown us the importance of looking into genetic alterations in the tumor cells as well as trying to use the immune system, the body's internal ability to fight cancer.

Cancer immunotherapy has quickly become one of the key treatment opportunities against several cancer types. The therapies available today, checkpoint inhibitors being at the forefront, benefit only 20%-30% of cancer patients with durable responses and some cancer types do not respond at all. The need for additional and novel approaches addressing the untapped potential of activating the immune system is still valid. Combining insights into genetic alterations and environmental exposures and activation of the immune system will continue to be an important part of cancer therapy evolution for years to come.

Individualized cancer therapy, with treatment approaches tailored to each patient is expected to be increasingly important in the fight against cancer. Combining individualized approaches with activation of the immune system is an attractive and increasingly emerging approach. Therapeutic cancer vaccines, with their ability to specifically activate the immune system, in particular CD8 killer T cells, and target specific cancer antigens, is one such approach.

HPV-driven cancers

One of the emerging challenges within oncology is the virus-induced cancer types, Human Papilloma Virus (HPV) being one of the most prominent. HPV is the cause of 630,000 cases of cancers annually. There are several types of high-risk HPV causing cancers with HPV16 being the predominant one. HPV-induced cervical cancer is the fourth-most common cancer form among women worldwide. HPV induced oropharyngeal cancer, a cancer in the head and neck (H&N) area, is rapidly growing among both women and men in the Western world, particular in Northern Europe and North America.

Even though preventive vaccines are available and cervical cancer screening detects many cervical cancers at an early stage, we know that HPV-induced cancers take decades to develop and there will still be a need for novel treatment approaches against cancers caused by HPV for many years to come.

HPV-driven cancers appear in younger patients and the biology of the tumors differs from what is traditionally seen in many cancer forms. Immune checkpoint inhibitors are an important part of the clinical development landscape in HPV-driven tumors, but despite the advances seen in the treatment of cervical cancer and other HPV-driven cancers, there is still a need to increase the number of responding patients.

Using a therapeutic cancer vaccine targeted specifically towards the HPV16 infected cells in the tumors represents a novel immunotherapeutic treatment option. By combining the two immunotherapeutic approaches, the checkpoint inhibitors and a therapeutic cancer vaccine, the tumors can be attacked from several angles with the aim of improving patient outcomes.

Individualized cancer therapy

Every patient's tumor is unique and in order to effectively address this challenge, the principle of individualized treatments is emerging quickly as an important part of future cancer therapy options. By focusing on individual characteristics and mutational alterations in each patient's tumor, the future may be more focused on each tumor's uniqueness rather than on tumor types in general.

By evaluating the alterations found in each patient's tumor cells, it is possible to develop an individualized therapeutic cancer vaccine that targets the largest possible number of immunogenic individual patient-tumor mutations. On this background, and via utilizing the potential of our immune system to fight each patient's specific tumor by combining an individualized cancer vaccine with a checkpoint inhibitor, we can utilize this approach across a broad range of known tumor entities.

Two vaccine concepts: the individualized vaccine and the off-the-shelf vaccine

The Vaccibody™ vaccine may be:

- **Off-the-shelf**: An off-the-shelf (ready-made) vaccine that encodes for antigens shared among a specific patient population, such as the VB10.16 vaccine that targets all HPV16-positive cancers.
- **Individualized**: The antigens may be selected from an individual patient's tumor, and a fully individualized vaccine is produced matching the optimal set of antigens identified in the tumor. Vaccibody's VB10.NEO program is a fully individualized vaccine, targeting the patient's antigens based on tumor-specific mutations (i.e. distinctly non-self), so-called neoantigens.

The off-the-shelf vaccine

Off-the-shelf cancer vaccines offer a fast, scalable and attractive approach to cancer treatment. Such cancer vaccines target shared antigens which are expressed by tumors across large patient populations. Vaccibody has built significant experience in off-the-shelf cancer vaccines from its VB10.16 clinical program in precancerous cervical lesions and cervical cancer. Further, Vaccibody is exploring the commercial potential of VB10.16 for the treatment of additional HPV16-positive cancer indications other than cervical cancer. In addition, the Company is focusing parts of its research efforts on identifying shared cancer antigens and developing additional off-the-shelf cancer vaccines to expand the clinical pipeline in this area over the coming years.

Vaccibody's in-house immunological expertise and proprietary bioinformatics, in addition to external data sets, are used to select the optimal antigens.

The vaccine is designed and synthesized.

The gene construct is cloned into a master plasmid.

The master cell bank is generated to be used in manufacturing (large scale).

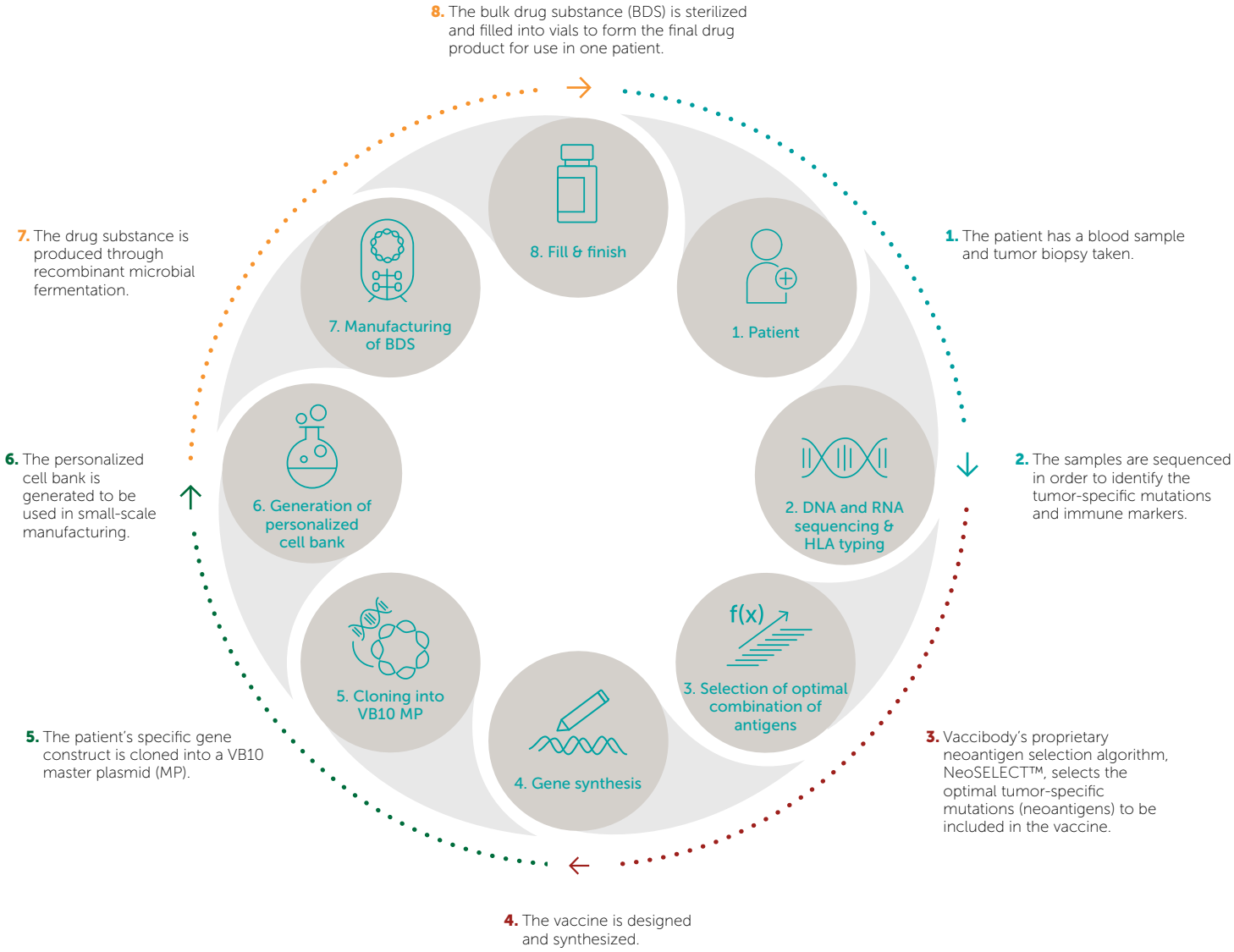
The bulk drug substance is produced through recombinant microbial fermentation.

The drug substance is sterilized and filled into vials to form the final drug product for use with a large patient group.

The individualized vaccine

The process and supply chain to produce an off-the-shelf vaccine has become a standard process in the industry. A fully individualized vaccine on the other hand is a much more complex process and requires rapid turnaround time and robust processes across the entire value chain.

Vaccibody has entered into an exclusive worldwide license and collaboration agreement with Genentech regarding the Company's individualized neoantigen cancer vaccines. The experience from Vaccibody's VB N-01 clinical trial testing VB10.NEO indicates that Vaccibody has a competitive advantage in the manufacturing process as demonstrated in all patients with sufficient number of neoantigens receiving a vaccine. The unique mechanism of action leading to rapid, strong and CD8-dominating responses has also led to highly encouraging immunological and clinical signs of efficacy in the first patients evaluated.



Infectious diseases

Infectious diseases

Infectious diseases are a global health problem, and both viral and bacterial infections are among the leading causes of disease and death. A specter of infectious diseases, with epidemic, endemic and pandemic outbreaks, divide our global challenges into regional health threats. Even though prophylactic vaccines have been revolutionary in the fight against infectious disease, there is still a need for new and improved vaccines to be developed. New infectious diseases are emerging and could lead to global pandemics as became eminent in the first quarter of 2020 when COVID-19 was declared a pandemic on March 11, 2020. Since then, the COVID-19 pandemic has spread at record speed and there are now more than 110 million confirmed cases and almost 2.5 million deaths worldwide due to COVID-19.

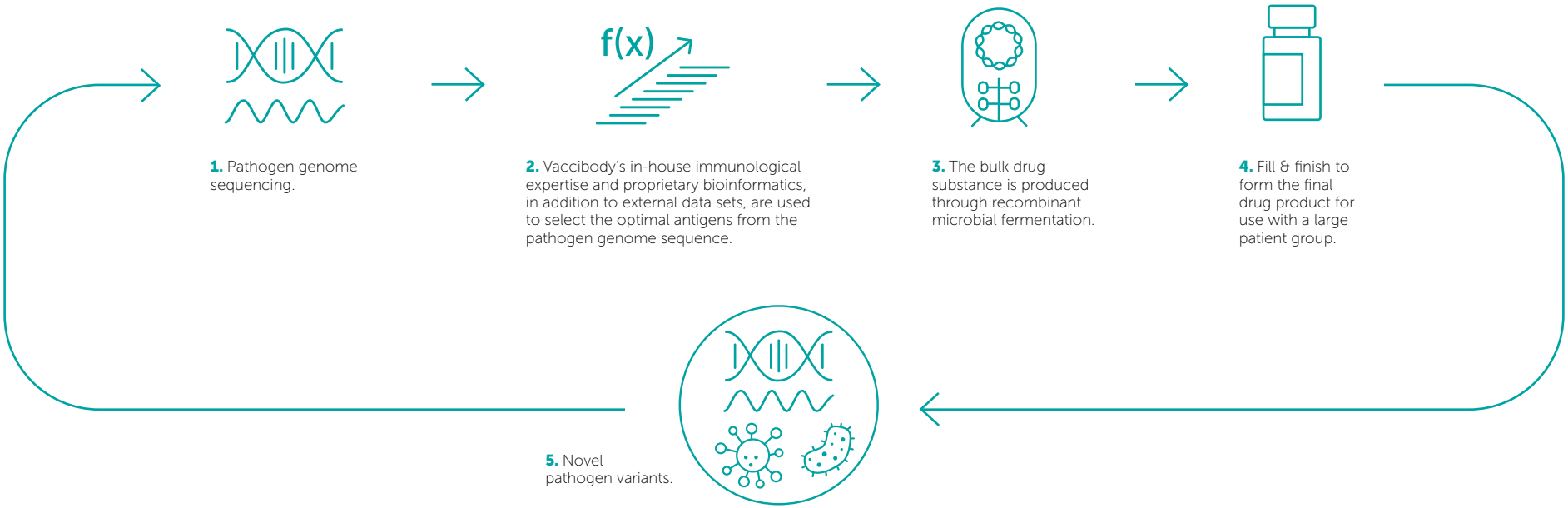
COVID-19

Coronavirus disease 2019 is caused by a virus in the coronavirus family, SARS-CoV-2. Most people infected with SARS-CoV-2 will experience mild to moderate respiratory illness and recover without requiring special treatment. Symptoms of COVID-19 may be fever or chills, cough, shortness of breath or difficulty breathing, fatigue, muscle or body aches, headache, loss of taste or smell, sore throat, congestion or runny nose, nausea or vomiting, and diarrhea. However, serious illness can also develop, including acute respiratory distress syndrome and potential fatal multi-organ failure. COVID-19 affects patients of all ages, but fatality rates are notably elevated in persons aged >60 years as well as in patients with comorbidities like cardiovascular disease, diabetes, chronic respiratory disease and hypertension.

Vaccines

Vaccines may be either prophylactic or therapeutic. Traditionally most people think of vaccines as a prophylactic measure to prevent illness. By pre-exposing the immune system to a part of a pathogen, we can prepare the immune system to fight a particular infectious disease and prevent illness in the pre-exposed host. Therapeutic vaccines also expose parts of the pathogen to the immune system but are used for treatment as the vaccines increase the optimal antigen-specific immune response in the patient to help fight an existing disease rather than immunizing for protection against future disease.

Generally, infectious diseases, including COVID-19, are a huge burden on society. By exploring and expanding the Vaccibody™ platform and its ability to elicit different types of rapid onset immune responses, the Company aims to contribute to the global prophylactic and therapeutic vaccine development in the future.



Pipeline

Vaccibody's technology platform may benefit the lives of patients across several disease areas. The ongoing clinical trials with VB10.NEO, which is exclusively licensed to Genentech, and VB10.16 cover six cancer indications in total, and both products have the potential to cover many additional indications with a high unmet medical need. The VB N-01 trial evaluates the individualized neoantigen vaccine, VB10.NEO, which is being tested in lung, urothelial, melanoma, head & neck and renal cancer. Vaccibody is planning to initiate a Phase 1b trial, VB N-02, with VB10.NEO during first half of 2021. The VB C-02 trial currently evaluates the VB10.16 vaccine, which is being tested in advanced cervical cancer.

Vaccibody has a highly versatile vaccine technology platform applicable for a range of off-the-shelf cancer vaccines, some of which are in discovery.

The platform technology is also being explored within the field of infectious diseases. Vaccibody has shown promising preclinical data with VB10.COV2, a second-generation COVID-19 vaccine (published), and a number of other infectious diseases (data on file).

Program	Indication	Discovery	Preclinical	Phase I	Phase II	Phase III	Partnerships
Oncology							
Individualized							
VB10.NEO	Melanoma, lung, bladder, renal, head & neck				●		Genentech [1] Nektar Therapeutics [2]
VB10.NEO	Locally advanced and metastatic tumors			●			Genentech [1, 3]
Off-the-shelf							
VB10.16	HPV16-positive cervical cancer [4]				●		
Undisclosed	Undisclosed targets within shared antigens	●					
Infectious disease							
VB10.COV2	SARS-CoV-2		●				
Undisclosed	Undisclosed targets within infectious disease	●					

[1]) Genentech has an exclusive license to VB10.NEO; [2]) Collaboration with Nektar Therapeutics on combining NKTR-214 (bempegaldesleukin) with VB10.NEO in trial arm 5B (SCCHN); [3]) In combination with atezolizumab; [4]) Roche supplies atezolizumab

Research and preclinical development

Vaccibody's research organization is primarily focused on:

- Cancer vaccines
- Infectious disease vaccines
- Antigen selection tools
- Bioanalytical sciences
- Novel therapeutic areas and modalities

The Company has expanded its core focus area to include both oncology and infectious diseases and is exploring opportunities in novel therapeutic areas and with novel therapeutic modalities. Overall, the Research department is investing broadly in innovation and development of best-in-class or first-in-class products and the headcount is expected to increase significantly during 2021.

The bioinformatics unit has developed proprietary algorithms, selecting the optimal set of neoantigens from across the indication areas – pathogen-specific antigens in infectious diseases, cancer-specific or patient-specific mutations in individualized cancer vaccines. The unit is growing, and the expertise is applied to developing tools applicable for selecting optimal combinations of antigens for off-the shelf cancer vaccines and vaccines against infectious diseases.

The bioanalytical sciences unit performs analytical procedures on patient material from the clinical studies, including immune monitoring. The Company has built a high level of competencies in the bioanalytical sciences field, which is important to gain further insights and scientific advancements from the clinical trials.

Vaccibody's patents and know-how are the foundation for creating long-term shareholder value. Vaccibody has an active patent strategy whereby the Company seeks to protect the IP that it believes is important for its business and for value creation. Vaccibody has a strong IP portfolio as demonstrated by the collaboration agreement with Genentech. The IP portfolio is expanding and will grow further as the Company gains insights and expands its R&D activities.

Partnerships and collaborations

Vaccibody continuously considers collaborations with industry and academic groups. The objective is to develop and strengthen the Company's strategic and competitive position and optimize the utilization of its technology platform in order to offer better treatments to patients, i.e. by combining Vaccibody's vaccine with other treatment modalities.

In October 2020, Vaccibody announced a worldwide, exclusive license and collaboration agreement with Genentech, a member of the Roche Group, to develop its individualized neoantigen cancer vaccine, VB10.NEO. According to the agreement, Vaccibody may receive up to USD 715 million and in addition, low double-digit royalties on net sales of commercialized products. This includes initial upfront and near-term payments of USD 196 million, which were received by the end of 2020, and potential milestone payments of up to USD 515 million.

Vaccibody's external collaborations and drug combinations include:

Company	Vaccibody program & trial	Cancer indication	Partner compound
Genentech	VB10.NEO / VB N-01 / VB N-02	Multiple indications	-
Nektar Therapeutics	VB10.NEO / VB N-01	Advanced head & neck cancer	Bempegaldesleukin (NKTR-214)
Roche	VB10.16 / VB C-02	Advanced cervical cancer	Atezolizumab (Tecentriq®)

Management review

Corporate governance

The Board of Directors of Vaccibody is committed to maintaining good corporate governance standards. Vaccibody's shares are traded on the Euronext Growth (Oslo) and the Company seeks direction from the guidelines and procedures stipulated in the Norwegian Code of Practice for Corporate Governance (issued October 17, 2018 (NCPCG)).

This corporate governance section includes the measures implemented for the efficient management and control of Vaccibody's operations. The Board of Directors and the Executive Management of Vaccibody are committed to complying with the demands of shareholders and other stakeholders for efficient business operations, while at the same time being committed to running the Company independently.

Business

Vaccibody is a clinical-stage biopharmaceutical company dedicated to the discovery and development of novel immunotherapies for cancer and infectious diseases.

The Company has established a set of guidelines that lay down the ethical standards for behavior toward colleagues, suppliers, patients, business partners and other relevant stakeholders. The Company has developed anti-corruption guidelines and instructions regarding the handling of waste materials that may impact the environment.

General meetings

The Company's general meetings are open to all shareholders. The chairman of the meeting is elected by the shareholders. This is considered sufficient to ensure the independence of the meeting chairman.

The Chairman of the Board and the Chairman of the Nomination Committee shall be present at the general meeting. The Company's independent auditors will attend the meeting if deemed necessary due to items on the agenda.

Nomination Committee

The Nomination Committee is appointed at the Company's general meeting pursuant to Article 8 of the Company's Articles of Association. The Nomination Committee is responsible for recommending candidates to the Board of Directors and the remuneration of the board members in accordance with the instructions for the Nomination Committee issued by the Board of Directors and sanctioned by the shareholders in general meeting.

The Company established its first Nomination Committee at the Annual General Meeting held on April 10, 2018. The current Nomination Committee consists of three members:

- Jonas Einarsson (Chairman) has over 30 years of experience in the pharmaceutical industry and is currently the CEO of Radforsk.
- Hans Petter Bøhn is a manager of the not-for-profit foundation Svanhild og Arne Musts Fond for Medisinsk Forskning as well as serving as an independent advisor to the Research Council of Norway, the Norwegian Cancer Society and a number of biotech start-ups.
- Jan Fikkan has international senior management experience from GE Healthcare and Amersham Health, among others.

The committee members were elected for a term of one year which expires at the Annual General Meeting in 2021. They are considered independent of the Board of Directors and the Executive Management.

Vaccibody has a set of corporate manuals and instructions that provide descriptions of the procedures relating to how the Company must conduct its operations, ensure sufficient funding and constantly evaluate relevant risks associated with its business.

Board of Directors, composition and independence

Pursuant to Article 7 of the Articles of Association, the Board of Directors shall consist of between two and eight members. The current Board of Directors consists of eight members, one of whom is female while seven are male.

All board members are elected for terms of one year from one annual general meeting to the next and there have been no changes to the board since the Annual General Meeting held on April 22, 2020 when Trygve Lauvdal was elected as a new member.

The composition of the Board of Directors is compliant with the NCPCG, as the majority of its members are independent of the Executive Management and material business contacts, more than two members are independent of the main shareholders, and none of the Company's executive managers serve on the Board of Directors.

Jan Haudemann-Andersen, Anders Tuv, Trygve Laudal and Christian Åbyholm represent shareholders holding at least 7% of the Company's shares, and they are therefore not considered independent board members. All other board members are considered independent of the Executive Management and do not represent any major (>7%) shareholders.

The work of the Board of Directors

The Board of Directors is responsible for providing strategic guidance to the Company and for monitoring the business operations of the Executive Management. At Board meetings, which are held every two months, the CEO updates the Board on the operational and financial developments of the Company.

In addition, the Board of Directors has appointed a Remuneration Committee, which determines the compensation schemes of the Executive Management.

Discussions of matters of material importance in which the Chairman of the Board has been personally involved are chaired by another member of the Board.

The Board of Directors reviews and evaluates its work annually.

Going concern

It is, in accordance with section 3-3a of the Norwegian Accounting Act, confirmed that the annual accounts represent a true and fair view of the Company's financial position at the turn of the year. The Board of Directors confirm that the conditions for assuming that the Company will continue as a going concern are present, and that these financial statements have been prepared on the basis of this assumption.

Risk management and internal control

Vaccibody has implemented a set of corporate manuals and instructions that provide descriptions of the procedures relating to how the Company must conduct its operations. These include quality assurance guidelines relating to clinical trials, IT operations, storage of data (including GDPR compliance) and HR.

The Executive Management reports to the Board of Directors on a ongoing basis, ensuring that the Board is consistently updated on important risks and developments related to clinical studies, the financial situation and the Company's strategy.

Remuneration of the Board of Directors

The remuneration of the Board of Directors consists of an annual fee, based on a recommendation from the Nomination Committee.

The Company has chosen to deviate from the recommendations of the NCPCG regarding warrants to the Board of Directors because the Company is at the development stage, and due to international industry practice. The table on the left shows the number of shares and warrants in the Company held by each board member as of April 1, 2020.

Remuneration of the Executive Management

The Company recognizes the importance of attracting and retaining key employees and executive managers, and the compensation package is regarded as an important tool in this respect. The Company has a warrant scheme which aims to align the long-term interests of the Executive Management with those of the shareholders. Warrants are granted subject to the achievement of defined targets for the past year. Warrants typically vest over a period of three years and are granted annually. Reference is made to note 5 to the financial statements (see page [xx]).

Auditors

The Company's auditors, Deloitte AS, are considered to be independent of Vaccibody. The auditors provide a statement each year confirming their independence. The auditors attend the board meeting at which the Board of Directors discusses the annual financial statements, accounting principles and other relevant matters. At each year's Annual General Meeting, the Board of Directors discloses the fees paid to the auditors.

Board member	Board meetings attended in 2020	Served since	Election period ending	Number of outstanding warrants held[1]	Number of shares held[1]
Anders Tuv (Chairman)[2]	18	2012	AGM in 2021	800,000	0
Einar J. Greve	17	2020	AGM in 2021	150,000	1,625,000
Jan Haudemann-Andersen	18	2017	AGM in 2021	0	40,263,050
Trygve Lauvdal[3]	12	2020	AGM in 2021	0	0
Lars Lund-Roland[4]	18	2014	AGM in 2021	0	0
Bernd R. Seizinger	18	2014	AGM in 2021	0	600,000
Susanne Stuffers[5]	18	2019	AGM in 2021	116,665	60,000
Christian Åbyholm[6]	17	2020	AGM in 2021	100,000	1,995,895

1. Number of shares and warrants owned personally or via a company controlled by the board member as of April 1, 2021.
2. Anders Tuv represents Radforsk, which holds 24,057,000 shares.
3. Trygve Lauvdal represents Rasmussengruppen AS, which owns 33,936,750 shares.
4. Lars Lund-Roland owns 50% of Elar Consulting AS, which owns 500,000 shares.
5. Susanne Stuffers represents P53 Invest AS, which holds 2,050,000 shares. She has a 20% ownership interest in P53 invest AS through her company Ubiquity AS.
6. Christian Åbyholm represent Andenæsgruppen, which holds 17,870,575 shares and Norda ASA, which holds 7,996,755 shares.

Corporate social responsibility

Employees

The primary focus of Vaccibody's corporate social responsibility (CSR) efforts is its employees. The Company has no formal policy on CSR but adheres to a set of guidelines in its Code of Conduct regarding employee health and safety, and conduct towards healthcare professionals, vendors and competitors. The COVID-19 pandemic required the Company to rapidly change working arrangements, with most staff transitioning to working from home. This new situation with working from home has increased the focus on the wellbeing of employees, and the Company will continue this focus by promoting an overall healthy work environment. There were no accidents or work-related injuries during the reporting period. The sick-leave rate of absence was 3.1% in 2020.

Environment and climate

Vaccibody may use hazardous materials in its laboratories and has put in place routines to handle such materials in a way that minimizes the impact on the environment. However, as the Company operates from rented facilities where services for the proper handling and disposal of hazardous materials are readily available and conducts its business in a highly regulated industry, Vaccibody's potential impact on the environment and climate is viewed as minimal. In other words, the Company does not pollute the environment. As a result, no specific environment and climate policies have been adopted to date.

Business ethics

Vaccibody, in collaboration with its partners, conducts preclinical experiments in animals as well as clinical trials. The animal experiments are approved by the Norwegian Food Safety Authority (Mattilsynet). Vaccibody only uses R&D vendors and laboratories that are approved and have documented high standards and expertise in animal research. The clinical trials are performed in accordance with the ethical and scientific principles governing clinical research on human subjects, as set out in the Declaration of Helsinki and the International Conference on Harmonization (ICH) guidelines on Good Clinical Practice. Vaccibody collaborates with world-leading, competent service providers that specialize in these types of studies and consults with leading experts on trial design to optimize trial conduct. Procedures for handling personal data in accordance with the General Data Protection Regulation (GDPR) have been implemented. Vaccibody is committed to maintaining the highest standards of ethical conduct and will not tolerate the use of bribery or corruption to achieve its business objectives. The Company has established anti-corruption policies according to which all employees must decline any expensive gifts, money, trips or other such offerings from business contacts. The Company is working to apply these guidelines with its suppliers.

No incidents of bribery or whistleblowing were reported in 2020.

Key HR indicators	2020	2019
Full-time employees, year-end	51	24
Employees holding a scientific, advanced degree, Master or Ph.D., %	98%	98%
Lost-time injuries (LTIs), no.	0	0
Male/female gender diversity (M/F), %	33/67	29/71
Employee turnover, %	13%	7%
Gender diversity (M/F), Board of Directors, %	87/13	75/25

Risk management

Research and development
Developing novel pharmaceutical products inherently involves high risk. The Company seeks to mitigate risk through appropriate measures. The Company has a pipeline of candidates and clinical studies in various indications and designs its clinical studies according to best practice and in compliance with international regulations to minimize risk. Specialized Clinical Research Organizations (CRO) are contracted to help in these efforts. The clinical studies are carried out in collaboration with world-class international partners with solid experience in conducting such studies, and are conducted according to all applicable quality standards.

Commercial risk
Commercial risks include the time and costs involved in developing products, market competition, regulatory approvals, patent protection and the ability to attract partners. The Company focuses on ensuring sufficient patent protection, and works closely with external patent counsels to minimize the risk of patent infringement claims as well as to prepare any patent defense should this be necessary. Vaccibody has been successful in forming partnerships with leading companies in its field including Genentech with which a worldwide license and collaboration agreement was undertaken in 2020. They contribute both financially and with R&D expertise, thereby helping to reduce risk.

Market risk
The financial success of the Company requires obtaining marketing authorizations and achieving acceptable reimbursement for its drugs. There can be no assurance that the Company's drugs will obtain cost-effective selling prices or reimbursement rates. The Company's products are subject to approvals from the U.S. Food and Drug Administration (FDA) to market its products in the U.S., and from the European Medicines Agency (EMA) to market its products in Europe, as well as equivalent regulatory authorities in other jurisdictions worldwide to commercialize products in those regions. The Company relies for its future earnings on the timely marketing authorization of its drugs for various indications.

Financial risk
Vaccibody is exposed to financial risk factors, including risks associated with cash management, the short-term liquidity profile of development programs, liquidity from partnerships and the ability to attract capital from financial markets. The Company has not entered into any hedging agreements to reduce financial risk as of December 31, 2020.

The expected main sources of capital to secure future funding are the capital markets, the license and collaboration agreement with Genentech, potential new collaboration agreements with partners and potential soft funding from grant applications. The Company had a cash inflow of USD 196 million in Q4 2020 through its license and collaboration agreement with Genentech.

The Company is exposed to currency risk as much of its operating expenses for the clinical trials are paid in foreign currency, primarily in Euro. The Company is mainly exposed to fluctuations in pounds sterling (GBP), euro (EUR), and US dollar (USD). The Company has bank deposits in GBP, EUR and USD for operational purposes, and to reduce its currency risk. The Company regularly considers its current risk management of foreign exchange rates and will adjust it if deemed appropriate.

Human resources
As a highly specialized and scientifically-focused company, Vaccibody relies on its ability to attract and retain talent and expertise. The Company has implemented a compensation scheme and strives to be an attractive employer by offering an inspirational and flexible working environment.

IT risk
Vaccibody has implemented procedures for IT security and data management via its IT providers. These include firewalls and anti-virus programs. Server back-ups are run automatically at regular intervals.

Risk management and internal controls
See section on corporate governance.

Our people

Vaccibody's employees are essential in assisting the Company to deliver on its ambitions and goals. Vaccibody's organization has doubled in size in the past year and is expected to continue to grow during 2021 in order to support the collaborations and increase in activities. Vaccibody aspires to attract, develop and retain the best people in the sector, and pursue a high-performance company culture. The Company strives to create an environment where employees thrive and develop, regardless of their background, gender or nationality.

The Company works continuously to ensure the wellbeing of and a safe and healthy work environment for its employees, a topic that has only become more relevant during the COVID-19 pandemic.

Vaccibody's office and laboratories in Oslo, Norway, serve as the Company's head office.

Board of Directors

Anders Tuv (Chairman)

Anders Tuv is Chief Investment Officer of the life science investment company Radforsk, which is focused on immunotherapies and precision medicines. He is an experienced investment and business development professional with broad experience from the life science industry covering management positions, strategy and business development, research collaborations, licensing deals, M&A and IPOs. He holds several chairman and non-executive director positions with Norwegian biotech companies. He holds an MBE degree.

Einar J. Greve

Einar J. Greve works as a strategic advisor with Cipriano AS. He was previously a partner of Wikborg Rein & Co and a partner of Arctic Securities ASA. He has held and holds various positions as chairman and board member of both Norwegian and international listed and unlisted companies. He holds a Master of Law degree (cand.jur.) from the University of Oslo.

Jan Haudemann-Andersen

Jan Haudemann-Andersen is the sole owner of Datum AS and Datum Invest AS, and a major shareholder of Vaccibody. He has extensive investment experience from private and listed companies in Norway and abroad. He holds a business degree (siviløkonom) from the BI Norwegian Business School.

Trygve Lauvdal

Trygve Lauvdal is an Investment Director with Rasmussengruppen, a major shareholder of Vaccibody. Prior to joining Rasmussengruppen, he worked as an equity analyst with DNB Markets and as product manager with ABB. He has held several board positions with Norwegian companies. He is a Ph.D. in Engineering Cybernetics from the Norwegian University of Science and Technology (NTNU).

Lars Lund-Roland

Lars Lund-Roland is a business and management consultant and has a background in pharmaceutical marketing and business. Past employments include managerial and marketing positions with Merck & Co. Inc., MSD Norway and Bringwell AB. He serves as chairman of the board of the Norwegian Life Science Cluster, Palion Medical AS, SonoClear AS and Nisonic AS. He holds a BSc degree in nursing and a graduate diploma in business and administration (Bedriftsøkonomisk Kandidat) from the BI Norwegian Business School.

Bernd R. Seizinger

Bernd R. Seizinger serves as chairman or board member of a number of public and private biotech companies in the U.S., Canada and Europe, including BioInvent, Oxford BioTherapeutics, Aprea, CryptoMedix and Oncolytics. In addition, he serves on the advisory board of Pureos Ventures (BB Biotech/Bank Bellevue, Zurich) and is senior advisor to Hadean Ventures (Oslo and Stockholm). Prior senior executive positions in big pharma and biotech include CEO, GPC Biotech; VP Oncology and (in parallel) VP, Corporate Alliances, Bristol-Myers Squibb; CEO, and SVP & CSO, Genome Therapeutics Corporation. Moreover, he held senior faculty positions at Harvard Medical School, Massachusetts General Hospital, and Princeton University. He is a medical doctor and holds a Ph.D. in neurobiology.

Susanne Stuffers

Susanne Stuffers is CEO and partner of P53 Invest AS, an investment company focusing exclusively on healthcare investments. Her past employments and professional experience include equity research, consultancy, medical and commercial roles with Arctic Securities, EY, Novartis and OUS Ullevål. She holds a degree in medicine from Erasmus University Rotterdam (Netherlands) and a Ph.D. in cancer biomedicine from Oslo University Hospital (Radiumhospitalet).

Christian Åbyholm

Christian Åbyholm is a partner at Andenæsgruppen. His prior professional experience and past employments include M&A, business development and equity research with Norsk Hydro, Aker RGI, Morgan Stanley and Merrill Lynch. He is a CFA charterholder, has an MBA from IMD and a business degree (siviløkonom) from the Norwegian School of Economics and Business Administration. In addition, he completed the first two years of law school at the University of Oslo.

Executive Management

Michael Engsig
Chief Executive Officer

Michael Engsig joined Vaccibody in March 2017. He is a broadly anchored pharmaceutical professional with extensive experience from early-stage drug discovery to late-stage development and product launches in biotech and pharma and across all major geographical areas, e.g. with Takeda and Nycomed. He holds a civil engineering (MSc) degree in chemistry specializing in biotechnology from the Technical University of Denmark, and a Graduate Diploma in Business Administration (HD) in organization and leadership from Copenhagen Business School (CBS).

Agnete B. Fredriksen
President and Chief Scientific Officer

Agnete B. Fredriksen is a co-founder of Vaccibody. Her focus is on developing vaccines from idea to clinical development, having had prior roles at Affitech AS and Medinnova AS. She is the author of numerous scientific papers in the field of immunology, immunotherapy and vaccines, and has been awarded several patents in the field of immunotherapy. She holds an MSc and a Ph.D. from the Institute of Immunology, Rikshospitalet Medical Center in Oslo, where she designed and developed the first Vaccibody™ vaccine molecules. She received the King's Gold Medal of Merit for her Ph.D. thesis describing vaccibodies.

Mette Husbyn
Chief Technical Officer

Mette Husbyn joined Vaccibody in 2017. Her professional experience spans CMC, drug development through all clinical stages from early research to NDA/MAA filings, including regulatory filings within both the antimicrobial and immune oncology programs, as well as diagnostic imaging. Past employments include Lytix Biopharma, Nycomed Pharma, Amersham Health and GE Healthcare. She holds a Ph.D. in peptide chemistry from the University of Oslo.

Siri Torhaug
Chief Medical Officer

Siri Torhaug joined Vaccibody as Chief Medical Officer in January 2020. She has broad experience in clinical development and translational research. Furthermore, she has extensive experience in scientific and medical affairs covering relevant tumor areas, R&D and general management of cancer drug development as well as product launches and life cycle management for several oncology products. Past employments include Oslo University Hospital (Radiumhospitalet), one of the premier oncology hospitals in Europe, as well as Novartis and AstraZeneca. She is a medical doctor and a certified clinical specialist in oncology.

Shareholder information

Vaccibody AS is a Norwegian limited liability company ("aksjeselskap") regulated by the Norwegian Private Limited Companies Act ("Lov om aksjeselskaper (aksjeloven)").

While being privately owned, the Company has adopted a provision in its Articles of Association to allow its shares to be freely traded. The acquisition of its shares is not subject to the consent of the Company, and shareholders do not have pre-emptive rights, which is otherwise a default provision of the Norwegian Private Limited Companies Act.

The Company's shares are registered with Verdipapirsentralen (VPS), Norway's central securities depository.

On October 7, 2020, the Company's shares were eligible for trading on the electronic trading platform Merkur Market, which is owned and operated by Oslo Børs AS, under the ticker "VACC-ME". After the acquisition of Oslo Børs ASA by Euronext, the shares were later transferred to Euronext Growth (Oslo) under the ticker "VACC".

As of December 31, 2020, one shareholder, Datum AS, held more than 10% of the shares and/or votes in Vaccibody. Datum AS is controlled by Jan Haudemann-Andersen (member of Vaccibody's Board of Directors) who in total holds 14.1% of the shares in the Company.

News releases made by the Company are always released through the Newspoint information system which may be accessed here: https://newsweb.oslobors.no/.

For further information about the Company's shares, reference is made to note 10 to the financial statements and to the corporate governance section.

News during 2020

- January 27, 2020
  Vaccibody registration and trading on NOTC
- March 24, 2020
  Financial Calendar 2020
- April 1, 2020
  Vaccibody AS initiates research in infectious diseases and hires Gunnstein Norheim, former Vaccine Science Director at CEPI, to lead initiative
- April 14, 2020
  Invitation to Business Update April 16 2020
- April 15, 2020
  2019 Annual Report and notice of Annual General Meeting, April 22 2020
- April 22, 2020
  Minutes from Annual General Meeting in Vaccibody AS
- May 12, 2020
  Quarterly Report 2020 Q1
- June 29, 2020
  Notice of an Extraordinary General Meeting 6 July
- July 2, 2020
  Vaccibody doses first patient in Phase II clinical trial of VB10.16 in combination with immune-checkpoint inhibitor in advanced cervical cancer
- July 7, 2020
  Minutes from Extraordinary General Meeting in Vaccibody AS
- August 12, 2020
  Vaccibody and Nektar Thereapeutics doses first patient in Phase I/IIa study arm evaluating VB10.NEO in combination with bempegaldesleukin
- August 21, 2020
  Vaccibody finalizes patient enrolment in VB N-01 Phase I/IIa trial with its novel VB10.NEO neoantigen cancer vaccine
- August 27, 2020
  Quarterly Report 2020 Q2
- October 1, 2020
  Vaccibody enters into worldwide license and collaboration agreement with Genentech, a member of the Roche Group, to develop individualized neoantigen cancer vaccines
- October 1, 2020
  Vaccibody announces update on expanded R&D focus and strategy
- October 7, 2020
  Vaccibody Lists on Oslo Stock Exchange's Merkur Market
- November 6, 2020
  Vaccibody announces the closing of the worldwide license and collaboration agreement with Genentech
- November 12, 2020
  Vaccibody to present at Jefferies Virtual Healthcare Conference (November 17-19, 2020)
- November 17, 2020
  Quarterly Report 2020 Q3
- November 25, 2020
  Co-founder, President and CSO Agnete Fredriksen receives the Research Council of Norway's Innovation Award
- December 10, 2020
  Vaccibody reports promising preclinical data with a second-generation COVID-19 vaccine and announces its infectious disease strategy

Statement by the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer have today considered and approved the Annual Report of Vaccibody AS for the fiscal year January 1 – December 31, 2020.

In our opinion, Vaccibody's financial statements for 2020 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act.

In our opinion, Vaccibody's financial statements provide a fair presentation of the assets, liabilities and financial position at December 31, 2020, and of the results of operations and cash flows for the fiscal year January 1 – December 31, 2020.

In our opinion, the Annual Report provides a fair presentation of the development in the Company's operations and financial circumstances, the results for the year, the overall financial position of Vaccibody; as well as a description of the most significant risks and elements of uncertainty facing the Company; and meets the requirements of the Norwegian Accounting Act 3-3a with regards to the Board of Director's Report.

We recommend that the financial statements be adopted at the Annual General Meeting on May 5, 2021.

The Board of Directors of Vaccibody AS

Oslo, April 20, 2021

Anders Tuv
Chairman of the Board

Einar J. Greve
Board member

Jan Haudemann-Andersen
Board member

Trygve Lauvdal
Board member

Lars Lund-Roland
Board member

Bernd R. Seizinger
Board member

Susanne Stuffers
Board member

Christian Åbyholm
Board member

Michael Thyring Engsig
Chief Executive Officer

Financial statements

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Statement of comprehensive income

For the years ended December 31

Amounts in USD '000	Notes	2020	2019
Revenue from contracts with customers	2.2	215,000	-
Other income	2.3	695	1,412
Total revenue and other income		**215,695**	**1,412**
Employee benefit expenses	2.4	16,049	6,079
Other operating expenses	2.5	21,078	9,115
Depreciation	3.1,3.2	303	160
Operating profit or loss		**178,265**	**-13,943**
Finance income	4.7	3,815	942
Finance costs	4.7	1,176	695
Profit or loss before tax		**180,905**	**-13,696**
Income tax expense	5.1	31,130	-
Profit or loss for the year		**149,774**	**-13,696**

Other comprehensive income

Items that subsequently may be reclassified to profit or loss:

Foreign currency translation effects		-2,378	-735
Total items that may be reclassified to profit or loss		-2,378	-735
Total other comprehensive income for the year		**-2,378**	**-735**
Total comprehensive income for the year		**147,396**	**-14,431**
Earnings per share ("EPS"):			
Basic EPS - profit or loss attributable to equity holders	4.9	0.54	-0.05
Diluted EPS - profit or loss attributable to equity holders	4.9	0.51	-0.05

Statement of financial position

Amounts in USD '000	Notes	31.12.2020	31.12.2019	01.01.2019
ASSETS				
Non-current assets				
Property, plant and equipment	3.1	131	73	13
Right-of-use assets	3.2	277	100	231
Intangible assets	3.3	32	34	34
Other long-term receivables	2.10	556	4	9
Total non-current assets		**996**	**212**	**287**
Current assets				
Trade receivables	2.6	3,750	1	-
Other receivables	2.6	1,488	1,326	956
Contract assets	2.9	15,000	-	-
Other current financial assets	4.1,4.4	24,944	21,681	12,982
Cash and cash equivalents	4.6	183,851	10,165	3,734
Total current assets		**229,032**	**33,174**	**17,672**
TOTAL ASSETS		**230,028**	**33,386**	**17,959**

Statement of financial position

Amounts in USD '000	Notes	31.12.2020	31.12.2019	01.01.2019
EQUITY AND LIABILITIES				
Equity				
Share capital	4.5	327	316	279
Share premium		60,348	59,133	33,121
Other capital reserves		4,419	1,821	932
Other components of equity		-3,113	-735	-
Retained earnings		116,869	-32,905	-19,209
Total equity		**178,850**	**27,631**	**15,124**
Non-current liabilities				
Non-current lease liabilities	3.2	8	33	85
Non-current provisions	2.8	6,859	1,404	1,077
Deferred tax liabilities	5.1	31,130	-	-
Total non-current liabilities		**37,997**	**1,437**	**1,163**
Current liabilities				
Government grants	2.3	-	91	92
Current lease liabilities	3.2	276	57	145
Trade and other payables	2.7	9,183	2,337	1,205
Current provisions	2.8	3,722	1,833	230
Total current liabilities		**13,181**	**4,318**	**1,672**
Total liabilities		**51,178**	**5,755**	**2,835**
TOTAL EQUITY AND LIABILITIES		**230,028**	**33,386**	**17,959**

Statement of cash flows

For the years ended December 31

Amounts in USD '000	Notes	2020	2019
Cash flows from operating activities			
Profit or loss before tax		**180,905**	**-13,696**
Adjustments to reconcile profit before tax to net cash flows:			
Net financial income/expense included in financing activities	4.7	-6	-386
Depreciation of property, plant and equipment	3.1	31	15
Depreciation of Right-of-use assets	3.2	273	145
Share-based payment expense	4.8	2,598	889
Net foreign exchange differences		1,830	-229
Working capital adjustments:			
Changes in trade receivables and other receivables	2.6	-3,911	-369
Changes in contract assets and other long-term receivables	2.9, 2.10	-15,552	-
Changes in trade and other payables	2.7	6,846	1,133
Changes in current provisions and other liabilities	2.3, 2.8	1,797	1,683
Changes in non-current provisions	2.3, 2.8	5,455	326
Net cash flows from operating activities		**180,266**	**-10,489**
Cash flows from investing activities			
Purchase of property, plant and equipment	3.1	-99	-76
Purchase of financial instruments	4.1	-15,106	-11,907
Proceeds from sale of financial instruments	4.1	9,179	2,884
Interest received	4.7	6	39
Net cash flows from investing activities		**-6,021**	**-9,060**
Cash flows from financing activities			
Proceeds from issuance of equity	4.5	-	26,049
Payments for the principal portion of the lease liability	3.2	-244	-153
Payments for the interest portion of the lease liability	3.2	-9	-5
Interest paid	4.7	-37	-24
Net cash flows from financing activities		**-289**	**25,868**
Net increase/(decrease) in cash and cash equivalents		**173,957**	**6,318**
Cash and cash equivalents at beginning of the year	4.6	10,166	3,734
Net foreign exchange difference		-272	114
Cash and cash equivalents, end of year		**183,851**	**10,166**

Statement of changes in equity

Amounts in USD '000	Share capital	Share premium	Other capital reserves	Other components of equity	Retained earnings	Total equity
Balance at January 1, 2019	**279**	**33,121**	**932**	**-**	**-19,209**	**15,124**
Profit or loss for the year	-	-	-	-	-13,696	-13,696
Other comprehensive income	-	-	-	-735	-	-735
Issue of share capital (Note 4.5)	38	26,012	-	-	-	26,049
Share-based payments (Note 4.8)	-	-	889	-	-	889
Balance at December 31, 2019	**316**	**59,133**	**1,821**	**-735**	**-32,905**	**27,631**
Profit or loss for the year	-	-	-	-	149,774	149,774
Other comprehensive income	-	-	-	-2,378	-	-2,378
Issue of share capital (Note 4.5)	11	1,215	-	-	-	1,225
Share-based payments (Note 4.8)	-	-	2,598	-	-	2,598
Balance at December 31, 2020	**327**	**60,348**	**4,419**	**-3,113**	**116,869**	**178,850**

Notes to the financial statements

Section 1 – Overview

Note 1.1 | General information

Corporate information

The financial statements of Vaccibody AS ("Vaccibody" or "the Company") for the year ended December 31, 2020 were authorised for issue in accordance with a Board resolution of April 20, 2021. Vaccibody AS has shares traded on Euronext Growth, with the ticker symbol VACC. Vaccibody AS is incorporated and domiciled in Norway, and the address of its registered office is Gaustadalléen 21, 0349 Oslo, Norway.

Vaccibody AS is a clinical-stage biopharmaceutical company, dedicated to the discovery and development of novel immunotherapies. The Company develops vaccines for the treatment of cancer and infectious diseases. Vaccibody's vaccine technology specifically targets antigens to antigen presenting cells, a process that is essential for inducing rapid, strong and long-lasting antigen-specific immune responses as well as eliciting efficacious clinical responses. Its lead product candidates include VB10.NEO, a cancer neoantigen vaccine, which is exclusively out-licensed to Genentech Inc. ("Genentech") and is in phase I/IIa clinical trial for the treatment of melanoma, lung- , head and neck, renal and bladder cancer; and VB10.16, a therapeutic vaccine for the treatment of human papilloma virus 16 induced malignancies, such as cervical cancer and cancer of the head & neck. The company has collaborations with Roche and Nektar Therapeutics within oncology.

Note 1.2 | Basis of preparation

The financial statements of the Company comprise statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and related notes. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU"), and represents the first financial statements of the Company in accordance with IFRS. See note 7.1 for information related to first- time adoption.

The financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. The financial statements are presented in USD and all values are rounded to the nearest thousand (USD '000) except when otherwise stated. Further, the financial statements are prepared based on the going concern assumption.

Comparative financial information is provided for the preceding period in the statement of comprehensive income, statement of financial position and statement of cash flows. Also, an additional statement of financial position as at January 1, 2019 is presented in these financial statements due to the first-time adoption of IFRS.

Presentation currency and functional currency

The financial statements are presented in United States dollar (USD). The functional currency of the Company was Norwegian Kroner (NOK) from inception of the Company and it was changed to USD as of October 1, 2020. An entity's functional currency reflects the underlying transactions, events and conditions that are relevant to it. Accordingly, once determined, the functional currency is not changed unless there is a change in those underlying transactions, events and conditions.

The assessment of the change in functional currency is subject to significant judgement. In making this assessment emphasis was put on the fact that Vaccibody under the terms of the agreement will receive initial upfront and near-term payments of USD 225 million and with potential milestone payments of up to USD 490 million and in addition, tiered royalties on sales of commercialized products. In accordance with the long-term activities related to Genentech Agreement, the Company expects an increasing number, as well as volume, of cost transactions to be in USD going forward. As such it was determined that USD is more reflective of the economic effects of the underlying transactions, events and conditions relevant for Vaccibody going forward and that the agreement triggered a change in currency of the primary economic environment in which the Vaccibody operates. The change in functional currency is applied prospectively from the date of the change by translating all items into the new functional currency using the exchange rate at the date of the change. The translated amounts for non-monetary items as of this date represent their historical cost.

Note 1.3 | Significant accounting policies

Vaccibody has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgmental considerations are disclosed in the notes to which the policies relate. Other accounting policies are presented below:

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Note 1.4 | Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

The accounting policies applied by management which includes a significant degree of estimates and assumptions or judgments that may have the most significant effect on the amounts recognized in the financial statements, are summarised below:

Estimates and assumptions:

- Estimates of variable consideration (note 2.2)
- Share-based payments (note 4.8)
- Measurement of deferred tax assets (note 5.1)

Vaccibody based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

A detailed description of the significant estimates and assumptions are included in the individual note where applicable.

Accounting judgments:

- Change in functional currency (note 1.2)
- Determining the performance obligations under the Genentech Agreement (note 2.2)
- Share based payments as Equity-settled- or Cash-settled transactions (note 4.8)
- Determining whether deferred tax assets should be recognized (note 5.1)

A detailed description of the significant accounting judgments is included in individual notes where applicable.

Section 2 – Operating performance

Note 2.1 | Operating segment

ACCOUNTING POLICIES

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses,
b) whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and
c) for which discrete financial information is available.

Vaccibody has identified the Board of Directors as the chief operating decision-maker as this level of the organization represents the most senior executive decision-making level related to its business.

Vaccibody is organised as one operating segment.

In the table below, non-current assets are broken down by geographical areas based on the location of the operations:

Non-current assets	31.12.2020	31.12.2019	01.01.2019
Norway	996	212	287
Total non-current assets	**996**	**212**	**287**

Non-current assets for this purpose consist of property, plant and equipment, intangible assets, right-of-use assets and other long-term receivables.

Revenue from the Genentech Agreement amounted to more than 10% of the Company's revenues in 2020. Revenue from Genentech was USD 215 million in 2020 (2019: USD 0 million).

Note 2.2 | Revenue from contracts with customers

On September 29, 2020, Vaccibody entered into an exclusive worldwide license and collaboration agreement with Genentech Inc. ("Genentech"), a member of the Roche Group, for the development and commercialization of DNA-based individualized neoantigen vaccines for the treatment of cancers.

As part of the Genentech Agreement Vaccibody has granted to Genentech a license which is limited to "Collaboration Products", i.e. any individualized Therapy DNA vaccine i) that includes a Chimera Structure within Vaccibody IP or joint IP and ii) that incorporates one or more neoantigen DNAs.

In addition to granting an exclusive license to Genentech, Vaccibody will also sponsor R&D commitments which are mainly related to the conduction of a Phase 1b Study at Vaccibody's sole cost and expense. Following completion of the Phase 1b Study, Genentech will have responsibility and bear all costs for clinical, regulatory, manufacturing and commercialization activities.

Under the terms of the agreement, Vaccibody will receive USD 185 million in initial upfront and USD 40 million in near-term payments. Additionally, Vaccibody will be eligible to receive up to a further USD 490 million in potential milestone payments, plus low double-digit tiered royalties on sales of commercialized products arising from the partnership.

During 2020, USD 200 million has been invoiced of which USD 196 million has been paid. The unpaid amount will be received during 2021. The remaining 25 million will be received in 2021 (USD 15 million) and 2022 (USD 10 million).

ACCOUNTING POLICIES

Revenue from contracts with customers is recognized when the control of a good or service is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from the sale of licenses

Revenue from licenses relates to the sale of intellectual property under the Genentech Agreement. For licenses of intellectual property that are distinct (or represent the predominant item of a combined performance obligation), the Company assesses whether the license provides the customer with a right to access the Vaccibody IP as it exists throughout the license period ("a right to access") or a right to use the Vaccibody IP as it exists at the point in time in which the license is granted ("a right to use"). Revenue from licenses that provide the customer with "a right to access" is accounted for over time as the performance occurs. Revenue from licenses with "a right to use" is recognized at the time when the license is granted to the customer and when the customer is able to

Note 2.2 | Revenue from contracts with customers (continued)

use and benefit from the license. The license component within the Genentech Agreement has been determined to represent a "right of use". The portion of the transaction price allocated to the license component is recognized when the customer obtains control over the license, subject to the constraints related to variable consideration, hereunder sales based royalties below.

Revenue from the sale of services

Revenue from the rendering of services relates to Vaccibody's conduction of the Phase 1b Study under the Genentech Agreement. Revenue from services is recognized over time by measuring progress towards complete satisfaction of that performance obligation.

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Amounts of variable consideration of sale-based royalties promised in the exchange for a license of intellectual property are not included in the transaction price or recognized as revenue until the subsequent sale occurs.

Transaction price

The Company allocates the total transaction price in proportion to the stand-alone selling price of each promised good or service in a contract. If a stand-alone selling price is not directly observable, the Company estimates the stand-alone selling price that best depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the goods or services to the customer. The transaction price under the Genentech Agreement is allocated to the R&D component based its stand alone selling price, which is estimated on a cost plus basis. The remaining amounts have been attributed to the licenses of intellectual property.

Vaccibody considers whether there are other promises in a contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., service type warranties). In determining the transaction price, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and any consideration payable to the customer.

Revenue from contracts with customers	2020	2019
Major products and services		
License of Vaccibody IP	215,000	-
R&D commitments	-	-
Other	-	-
Total revenue	**215,000**	**-**

Geographical distribution	2020	2019
Norway	-	-
United States of America	215,000	-
Other	-	-
Total revenue	**215,000**	**-**

The revenue information above is based on the locations of the customers.

Timing of revenue recognition	2020	2019
Goods/services transferred at a point in time	215,000	-
Services transferred over time	-	-
Total revenue	**215,000**	**-**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 are, as follows:

	2020	2019
Within one year	10,000	-
More than one year	20,000	-
Total	**30,000**	**-**

Note 2.2 | Revenue from contracts with customers (continued)

The remaining performance obligations expected to be recognized within one year and in more than one year relates to the R&D commitments under the Genentech Agreement.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Significant accounting judgements and estimates related to the Genentech Agreement are listed below.

Determining the performance obligations

The assessment of whether the licence of intellectual property and R&D commitments represent separate performance obligations has been subject to judgement . Based on an overall assessment of the agreement and the nature of the deliverables, it has been determined that the R&D commitments do not significantly modify or customize the license. Further it has been assessed that Vaccibody is not providing a significant service of integrating the license and the R&D commitments into one combined output. Also, the use of the license is not highly dependent on, or highly interrelated with, the R&D commitments. In making these assessments emphasis has been put on the standardized nature of the R&D commitments and the fact that a third party Clinical Resarch Organization could have provided the services to Genentech under their supervision. If the license and R&D commitments could not be separated, the amounts recognized upfront upon delivery of the license would have been recognized over the term of the R&D commitments.

Estimates of variable consideration

The assessment of amounts included in the transaction price upon inception has been subject to judgement, as the agreement contains potential milestone payments of up to USD 515 million. The milestones are related to development, regulatory approvals and commercialization of the products under the agreement.

There is generally a very high inherent risk related to product development within life sciences. With the exception of an amount of USD 20 million related to the initiation of the Phase 1b Study, no variable amounts have been included in the transaction price.

Contract balances

Contract assets relate to revenue earned from ongoing services. As such, the balances of this account vary and depend on the number of ongoing projects at the end of the year. Vaccibody presents its trade receivables arising from contracts with customers separately from contract assets and other receivables. Accounting policies and balances for trade receivables are presented in note 2.6 and contract assets and contract liabilities are presented in note 2.9.

Cost to obtain a contract

Incremental costs of obtaining a contract (i.e. costs that would not have been incurred if the contract had not been obtained) are recognized as an asset if the Company expects to recover them either directly through reimbursement or indirectly through the margin inherent in the contract. Contract costs recognized as an asset are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

The Company's contract cost assets are related to costs for services provided by Jefferies International Ltd. in negotiating the Genentech Agreement. Reference is made to note 2.9 for an overview of the Company's contract cost assets.

Note 2.3 | Government grants and other income

ACCOUNTING POLICIES

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Other income

Other operating income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually-defined terms of payment and excluding taxes or duty.

Government grants in the income statement	2020	2019
Grant from SkatteFUNN	603	577
Grant from the Research Council of Norway	90	767
NRC and other grants	-	9
Total government grants	**693**	**1,353**

Only grants recognized as income are presented in the table above.

Grant from SkatteFUNN

An R&D project has been approved for SkatteFUNN (a Norwegian government R&D tax incentive program designed to encourage R&D in Norwegian trade and industry) for the period from 2020 until the end of 2022. The Company recognized USD 0.6 million in 2020. Another R&D project was approved for the period from 2016 until the end of 2019. No revenue has been recognized for this project in 2020. The Company recognized USD 0.58 million in 2019.

Grant from the Research Council of Norway

The Company currently has two grants from the Research Council, programs for user-managed innovation area (BIA). The first BIA grant ("Development of a highly efficient and robust manufacturing process for personalised DNA vaccines") amounts to a total of USD 2.7 million and covers the period from January 2020 to July 2022. The company has recognized USD 0.09 million in 2020, classified as other income. The second BIA grant ("Targeted Personalized Therapeutic Cancer Vaccines") amounts to a total of USD 6.1 million and covers the period from February 2016 to December 2019. The Company has recognized USD 0.77 million in 2019 classified as other income.

NRC

The NRC grant ("The vaccibody DNA vaccine approach for human therapeutic and prophylactic use") amounts to a total of USD 5.2 million and covers the period from 2012 to 2016. The company has recognized USD 0.01 million in 2019, classified as other income.

The grants included in other income contains no unfulfilled conditions or contingencies.

Note 2.3 | Government grants and other income (continued)

Government grants in the statement of financial position		
Government grants – liabilities	**2020**	**2019**
At January 1	91	92
Received during the year	602	1,353
Released to the statement of profit or loss	-693	-1,353
Currency translation effect	-	-1
At December 31	**-**	**91**
Current	-	91

Government grants – receivables	**31.12.2020**	**31.12.2019**	**01.01.2019**
Grant from SkatteFUNN	603	579	586
Grant from the Research Council of Norway	90	297	248
NRC and other grants	-	12	12
Total government grants – receivables	**693**	**887**	**846**

Government grant receivables are included as other receivables in the statement of financial position and included in the specification in note 2.6

Other income	**2020**	**2019**
Government grant income	693	1,353
Other income	2	59
Total other income	**695**	**1,412**

Note 2.4 | Employee benefit expenses

ACCOUNTING POLICIES

Employee benefit expenses comprise all types of remuneration to personnel employed by the Company (ie. not contracted manpower) and are expensed as earned. Ordinary salaries may be based on both fixed pay and hourly wages and are earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. The employer's national insurance contribution (social security) is calculated and expensed for all payroll-related costs including pensions. Pension contributions are earned on a monthly basis. Other employee expenses consist of other benefits such as insurance, telephones and remuneration to the Board of Directors.

Pensions

The Company has a defined contribution pension plan for its employees which satisfies the statutory requirements of Norwegian law on mandatory occupational pension ("lov om obligatorisk tjenestepensjon").

The program is a defined contribution plan. Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Employee benefit expenses	2020	2019
Salaries	4,114	2,963
Social security costs	1,934	782
Pension costs	120	65
Shared-based payment expense	2,598	889
Social security cost on share-based payment	7,185	1,875
Other employee expenses	98	-495
Total employee benefit expenses	**16,049**	**6,079**
Average number of full-time employees (FTEs)	33	23

At the end of the reporting period, members of the Board and management held shares and warrants in Vaccibody. For information on remuneration to Executive Management and the Board of Directors, including disclosures on shares and warrants held, see note 6.1.

Note 2.5 | Other operating expenses

ACCOUNTING POLICIES

Other operating expenses are recognized when they occur and represent a broad range of operating expenses incurred by the Company in its day-to-day activities. Other operating expenses consist of expenses that are not classified on the lines for cost of materials, employee benefit expenses, depreciation and amortisation.

Other operating expenses	2020	2019
Research and development expenses	10,627	6,931
Consulting fees	5,354	255
Legal expenses	3,075	752
Duty and handling costs	511	244
Lease expenses	362	116
Audit and accounting fees	130	108
Travel expenses	91	206
Other operating expenses	929	503
Total other operating expenses	**21,078**	**9,115**

Total research expenses for 2020 was USD 14.1 million, recognized as employee benefit expenses and other operating expenses in the statement of comprehensive income.

Auditor's fees	2020	2019
Audit fee	26	20
Other services	14	7
Total remuneration to the auditor	**40**	**27**

Audit fee:

The amounts above are excluding VAT.

Note 2.6 | Trade and other receivables

ACCOUNTING POLICIES

Trade and other receivables

The Company's trade receivables consist solely of amounts receivable from revenue contracts with customers. Trade receivables are generally on terms of 30 to 90 days. Other receivables consist mainly of VAT receivables, government grant receivables and prepaid expenses which are expected to be realised or consumed in the normal operating cycle within twelve months after the reporting period.

Trade and other receivables are financial assets initially recognized at fair value and subsequently at amortised cost using the effective interest rate method. Trade and other receivables are subject to impairment by recognising an allowance for expected credit losses.

Expected credit losses

The Company recognzes an allowance for expected credit losses (ECLs) for its financial assets. ECLs are based on the cash flows the Company expects to receive. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company bases the allowance of its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Policies for expected credit losses are further described in note 4.1.

Trade receivables	31.12.2020	31.12.2019	01.01.2019
Trade receivables from customers at nominal value	3,750	1	-
Allowance for expected credit losses	-	-	-
Total trade receivables	**3,750**	**1**	**-**

Other receivables	31.12.2020	31.12.2019	01.01.2019
VAT receivable	370	373	41
Government grants	693	887	846
Prepaid expenses	151	65	64
Other	274	1	5
Total other receivables	**1,488**	**1,326**	**956**

Allowance for expected credit losses	31.12.2020	31.12.2019	01.01.2019
At January 1	-	-	-
Provision for expected credit losses	-	-	-
At December 31	**-**	**-**	**-**

The credit risk of financial assets has not increased significantly from initial recognition.
No credit loss allowanes were recognized at year end 2020 or 2019.

	Trade receivables				
		Past due but not impaired			
Ageing analysis of trade receivables	Not due	< 30 days	31-60 days	> 60 days	Total
Trade receivables at December 31, 2020	-	3,750	-	-	3,750
Trade receivables at December 31, 2019	1	-	-	-	1
Trade receivables at January 1, 2019	-	-	-	-	-

For details regarding the Company's procedures on managing credit risk, reference is made to note 4.3.

Note 2.7 | Trade and other payables

ACCOUNTING POLICIES

Trade and other payables are liabilities, i.e. present contractual obligations arising from a result of past events where settlement is expected to result in an outflow of resources (payment). Trade payables consist of invoices for goods and services where the Company has received the significant risks and rewards of ownership as of December 31. Other payables mainly consist of withholding payroll and social security tax.

Trade and other payables are measured at fair value upon initial recognition and subsequently at amortised cost. Trade and other payables are expected to be settled within the normal operating cycle within twelve months after the reporting period.

Trade and other payables	31.12.2020	31.12.2019	01.01.2019
Trade payables	1,612	1,522	635
Withholding payroll taxes and social security	1,613	178	140
Other accrued expenses	5,959	638	429
Total trade and other payables	**9,183**	**2,337**	**1,205**

For trade and other payables ageing analysis, see note 4.2.

Note 2.8 | Provisions

ACCOUNTING POLICIES

Provisions are liabilities with uncertain timing or amount and are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

The Company classifies provisions in the following categories:

- Salary-related costs: Contain a provision for accrued holiday pay
- Social security for share-based payment: Contains a provision for the accrued social security on share options and restrictive share units which will be paid when the options are exercised/fully vested

A provision is made and calculated based on management assumptions at the time the provision is made and is updated as and when new information becomes available. All provisions are reviewed at the end of the financial year.

Other commitments and contingencies

Contingent liabilities are not recognized in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the possibility of an outflow of economic resources is considered remote.

Contingent assets are not recognized in the annual accounts but are disclosed when an inflow of economic benefits is considered probable. The Company has no contingent assets or liabilities that meet the criteria for disclosure.

Other commitments

The Company did not provide guarantees to or on behalf of third parties or related parties. The Company has no other significant commitments to disclose.

Reconciliation of provisions:

	Salary-related costs	Social security for share-based payment	Total
At January 1, 2019	**230**	**1,077**	**1,308**
Additional provisions made	284	2,953	3,237
Amounts used	-230	-	-230
Unused amounts reversed	-	-1,077	-1,077
At December 31, 2019	**284**	**2,953**	**3,237**
Current provisions	284	1,549	1,833
Non-current provisions	-	1,404	1,404

	Salary-related costs	Social security for share-based payment	Total
At January 1, 2020	**284**	**2,953**	**3,237**
Additional provisions made	443	10,138	10,580
Amounts used	-284	-	-284
Unused amounts reversed	-	-2,953	-2,953
At December 31, 2020	**443**	**10,138**	**10,580**
Current provisions	443	3,279	3,722
Non-current provisions	-	6,859	6,859

Note 2.9 | Contract assets and liabilities

ACCOUNTING POLICIES

Contract assets

A contract asset is initially recognized for revenue earned from rendering of services because the receipt of consideration is conditional on successful completion of the services. Upon completion of the services and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

Contract assets are subject to testing for impairment, similarly to trade receivables as described in notes 2.6 and 4.1.

Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract asset or contract liability positions are presented on a net basis for each contract.

Contract assets

Contract Assets	31.12.2020	31.12.2019	01.01.2019
At January 1			
Additions	215,000	-	-
Reclassified to trade receivables	-200,000	-	-
Impairment and write-down for expected credit losses	-	-	-
Total contract assets	**15,000**	**-**	**-**

Contract assets are recognized when fulfilling performance obligations, mainly from the recognition of the service component in the Genentech Agreement where progress is measured over time (See note 2.2). When the consideration becomes unconditional, the contract assets will be reclassified to trade receivables. The main part of the changes to contract assets in the period is related to the addition of the performance obligation related to the license component in the Genentech agreement, less the amount reclassified to trade receivables.

Note 2.10 | Other long-term receivables

ACCOUNTING POLICIES

Other long-term receivables consist of deposits and contract cost assets which are subject to impairment assessment, similarly to trade and other receivables as described in notes 2.6 and 4.1. Other long-term receivables are financial assets initially recognized at fair value and subsequently at amortised cost using the effective interest rate method.

Contract cost assets

Vaccibody recognizes incremental costs of obtaining a contract with a customer as an asset, provided the costs are expected to be recovered throughout the contract. The costs are amortised on a systematic basis that is consistent with the transfer of the related goods or services to the customer and subsequently re-assessed at the end of each reporting period.

Other long-term receivables	31.12.2020	31.12.2019	01.01.2019
Deposits	5	4	9
Contract costs assets	551	-	-
Total other long-term receivables	**556**	**4**	**9**

Vaccibody's contract cost assets are mainly related to selling commissions for the Genentech agreement.

Contract cost assets	31.12.2020	31.12.2019	01.01.2019
At January 1			
Cost to obtain a contract recognized in the period	4,500	-	-
Amortisation recognized in the period	3,949	-	-
Impairment losses recognized in the period	-	-	-
Total contract cost assets	**551**	**-**	**-**

Section 3 – Fixed assets
Note 3.1 | Property, plant and equipment

ACCOUNTING POLICIES

Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of PP&E are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Company assesses, at each reporting date, whether there is an indication that property, plant and equipment may be impaired. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

No indicators for impairment of property, plant and equipment were identified in the current or prior period.

	Machinery and plant	Fixtures, office machinery etc.	Total
Cost as at January 1, 2019	**26**	**18**	**43**
Additions	68	8	76
Currency translation effects	-	-	-
Cost as at December 31, 2019	**94**	**25**	**119**
Additions	13	86	99
Currency translation effects	-8	-8	-16
Cost as at December 31, 2020	**99**	**103**	**202**
Depreciation and impairment as at January 1, 2019	**25**	**5**	**31**
Depreciation for the year	9	6	15
Currency translation effects	-	-	-
Depreciation and impairment as at December 31, 2019	**35**	**11**	**46**
Depreciation for the year	14	17	31
Currency translation effects	-4	-2	-6
Depreciation and impairment as at December 31, 2020	**46**	**26**	**72**
Net book value:			
At January 1, 2019	**-**	**12**	**13**
At December 31, 2019	**59**	**14**	**73**
At December 31, 2020	**54**	**77**	**131**
Economic life (years)	3-5	3-5	
Depreciation plan	Straight-line method	Straight-line method	

Note 3.2 | Right-of-use assets and lease liabilities

ACCOUNTING POLICIES

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- The supplier does not have a substantive right to substitute the asset throughout the period of use
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the contract period

The Company as a lessee

At the commencement date, the Company recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Company recognizes the lease payments as operating expenses in the statement of comprehensive income.

At transition to IFRS, Vaccibody has applied the practical expedient in IFRS 16.C10 to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Measuring the lease liability

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Company is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise:

- Fixed lease payments, less any lease incentives received
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Company presents its lease liabilities as separate line items in the statement of financial position. Cash flows related to payments for the principal portion of the lease liability are classified within financing activities.

Note 3.2 | Right-of-use assets and lease liabilities (continued)

ACCOUNTING POLICIES

Measuring the right-of-use asset

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset includes the corresponding amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and initial direct costs incurred.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, applying the same policies for impairment as for property, plant and equipment (Note 3.1). The right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. Depreciation is calculated on a straight-line basis.

The Company presents its right-of-use assets as separate line items in the statement of financial position.

The Company's leased assets

Vaccibody leases several assets, mainly office buildings and laboratories at Forskningsparken in Oslo, Norway. Vaccibody also leases one office building in Denmark and a number of printers in Norway. Leases of office buildings generally have lease terms of from two to three years. The Company also leases certain office buildings and office machinery that are expensed as incurred as they are either considered short term or of low value.

The Company's right-of-use assets recognized in the statement of financial position are presented in the table below:

Right-of-use assets	Fixtures, office machinery etc.	Office Building	Total
Acquisition cost at January 1, 2019	**-**	**231**	**231**
Additions of right-of-use assets	1	13	15
Acquisition cost at December 31, 2019	**1**	**244**	**245**
Additions of right-of-use assets	12	438	450
Acquisition cost at December 31, 2020	**13**	**682**	**695**
Depreciation and impairment at January 1, 2019	**-**	**-**	**-**
Depreciation of right-of-use assets	-	144	144
Depreciation and impairment at December 31, 2019	**-**	**144**	**144**
Depreciation of right-of-use assets	2	272	273
Depreciation and impairment at December 31, 2020	**2**	**416**	**418**
Carrying amount at January 1, 2019	**-**	**231**	**231**
Carrying amount at December 31, 2019	**1**	**100**	**100**
Carrying amount at December 31, 2020	**12**	**266**	**277**
Remaining lease term or remaining useful life	3	1-3	
Depreciation plan	Straight-line method	Straight-line method	

Expenses in the period related to practical expedients and variable payments	2020	2019
Short-term lease expenses	29	-
Low-value asset lease expenses	6	-
Variable lease expenses for the period not included in the lease liabilities	-	-
Total lease expenses for the period	**35**	**-**

The lease expenses for the period related to short-term leases, low-value assets and variable lease payments are included in other operating expenses in the statement of comprehensive income, and the payments are presented in the Company's operating activities in the statement of cash flows.

Note 3.2 | Right-of-use assets and lease liabilities (continued)

The Company's lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	31.12.2020	31.12.2019	01.01.2019
Less than one year	283	53	145
One to two years	5	35	55
Two to three years	4	-	31
Total undiscounted lease liabilities	**292**	**88**	**231**

Changes in lease liabilities	Total
At first-time adoption of IFRS January 1, 2019	**231**
New leases	15
Cash payments for the principal portion of the lease liability	-153
Cash payments for the interest portion of the lease liability	-5
Interest expense on lease liabilities	5
Currency translation effects	-3
Total lease liabilities at December 31, 2019	**90**
Current lease liabilities in the statement of financial position	57
Non-current lease liabilities in the statement of financial position	33

Changes in lease liabilities	Total
At January 1, 2020	**90**
New leases recognized during the period	446
Cash payments for the principal portion of the lease liability	-244
Cash payments for the interest portion of the lease liability	-9
Interest expense on lease liabilities	9
Currency translation effects	-7
Total lease liabilities at December 31, 2020	**284**
Current lease liabilities in the statement of financial position	276
Non-current lease liabilities in the statement of financial position	8

Note 3.2 | Right-of-use assets and lease liabilities (continued)

Lease commitments not included in lease liabilities

Inflation adjustments

In addition to the lease liabilities presented above, Vaccibody is committed to pay variable lease payments for its office buildings, mainly related to future inflation adjustments which is not included in the initial calculation of lease liabilities. The lease liability and right-of-use asset will be adjusted when the inflation adjustment has a cash flow effect.

Extension and termination options

Vaccibody has certain lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing Vaccibody's business needs. Management applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, Vaccibody reassesses the lease term if there is a significant event or change of circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Vaccibody did not include the renewal period for leases as part of the lease term because management was not reasonably certain to exercise the option to renew the leases. Furthermore, the periods covered by termination options are included as part of the lease term only when the options are reasonably certain not to be exercised.

Other matters

Vaccibody's leases do not contain provisions or restrictions that impact the Company's dividend policies or financing possibilities. Further, Vaccibody does not have significant residual value guarantees related to its leases.

Lease commitments not yet commenced

The Company has a lease contract related to office space that has not yet commenced as of December 31, 2020. The future lease payments for this non-cancellable lease contract is KUSD 257 within one year, KUSD 4,371 within five years and KUSD 1,028 thereafter.

Note 3.3 | Intangible assets

ACCOUNTING POLICIES

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Capitalisation of internal development costs

Development expenditures on an individual project, which represents new applications/ technology, are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Other costs are classified as research and are expensed as incurred. These expenses are included in the statement of comprehensive income as other operating expenses and specified in note 2.5.

Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone, such as regulatory approval.

Note 3.3 | Intangible assets (continued)

	Patents and project rights	Total
Cost as at January 1, 2019	**34**	**34**
Additions	-	-
Currency translation effects	-	-
Cost as at December 31, 2019	**34**	**34**
Additions	-	-
Currency translation effects	-3	-3
Cost as at December 31, 2020	**32**	**32**
Amortisation and impairment as at January 1, 2019	**-**	**-**
Amortisation for the year	-	-
Amortisation and impairment as at December 31, 2019	**-**	**-**
Amortisation for the year	-	-
Amortisation and impairment as at December 31, 2020	**-**	**-**
Net book value:		
At January 01, 2019	**34**	**34**
At December 31, 2019	**34**	**34**
At December 31, 2020	**32**	**32**

Patents and project rights are assessed as having an indefinite useful life as they do not expire.

Section 4 – Financial instruments, risk and equity
Note 4.1 | Financial instruments

ACCOUNTING POLICIES

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of financial instruments

The Company's financial instruments are grouped in the following categories:

Financial Assets

- Financial assets measured subsequently at amortised cost: Includes mainly trade and other receivables, contract assets, contract cost assets and cash and cash equivalents
- Financial assets measured subsequently at fair value through profit or loss: Includes other current financial assets (money market funds) and includes currency derivatives when the fair value is positive.

With the exception of other current financial assets, the Company's financial assets are part of the Company's business model with the sole objective to collect contractual cash flows. Additionally, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the "SPPI test", constituting debt instruments measured at amortised cost.

Financial Liabilities

- Financial liabilities measured subsequently at amortised cost: Represent the Company's non-interest bearing liabilities such as trade payables, contract liabilities and government grants.
- Financial liabilities measured at fair value through profit or loss: Includes currency derivatives when the fair value is negative.

Initial recognition and subsequent measurement

Financial assets and liabilities at amortised cost

The Company's financial assets and liabilities are initially recognized at fair value plus directly attributable to transaction expenses. Subsequently, these instruments are measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognized in profit or loss upon impairment, when the instruments are derecognized as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is included as finance costs in the statement of comprehensive income.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are recognized at fair value are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Vaccibody previously used derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Vaccibody closed out the last derivative contracts in 2019 and did not hold derivative financial instruments at December 31, 2019 or December 31, 2020. The Company does not apply hedge accounting.

Impairment of financial assets

Financial assets measured at amortised cost are considered for impairment by recognising an allowance for expected credit losses (ECLs). Vaccibody applies a simplified approach in calculating ECLs, where the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company bases its ECLs on its historical losses, adjusted for forward-looking factors specific to the debtors and the economic environment. See note 4.3 for further information related to management of credit risk.

Vaccibody considers a financial asset to be in default when contractual payments are more than 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Note 4.1 | Financial instruments (continued)

ACCOUNTING POLICIES

Derecognition of financial instruments

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, the Company has transferred its rights to receive cash flows from the asset or the Company has assumed an obligation to pay the received cash flows in full under a "pass-through" arrangement.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Vaccibody's financial instruments are presented in the tables below:

As at December 31, 2020	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other long-term receivables	2.10	556	-	556
Trade receivables	2.6	3,750	-	3,750
Other receivables	2.6	1,488	-	1,488
Contract assets	2.9	15,000	-	15,000
Other current financial assets				
Money market funds		-	24,944	24,944
Cash and cash equivalents	4.6	183,851	-	183,851
Total financial assets		**204,645**	**24,944**	**229,588**
Liabilities				
Government grants	2.3	-	-	-
Trade and other payables	2.7	9,183	-	9,183
Total financial liabilities		**9,183**	**-**	**9,183**

Note 4.1 | Financial instruments (continued)

As at December 31, 2019	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other long-term receivables	2.10	4	-	4
Trade receivables	2.6	1	-	1
Other receivables	2.6	1,326	-	1,326
Contract assets	2.9	-	-	-
Other current financial assets				
Money market funds		-	21,681	21,681
Cash and cash equivalents	4.6	10,165	-	10,165
Total financial assets		**11,497**	**21,681**	**33,178**
Liabilities				
Government grants	2.3	91	-	91
Trade and other payables	2.7	2,337	-	2,337
Total financial liabilities		**2,428**	**-**	**2,428**

As at January 1, 2019	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other long-term receivables	2.10	9	-	9
Trade receivables	2.6	-	-	-
Other receivables	2.6	956	-	956
Contract assets	2.9	-	-	-
Other current financial assets				
Money market funds		-	12,903	12,903
Derivatives		-	80	80
Cash and cash equivalents	4.6	3,734	-	3,734
Total financial assets		**4,698**	**12,982**	**17,681**
Liabilities				
Government grants	2.3	92	-	92
Trade and other payables	2.7	1,205	-	1,205
Total financial liabilities		**1,296**	**-**	**1,296**

There were no changes in classification and measurement for Vaccibody's financial assets and liabilities.

Finance income and finance costs arising from Vaccibody's financial instruments are disclosed separately in note 4.7.

Note 4.2 | Ageing of financial liabilities

Contractual undiscounted cash flows from financial liabilities are presented below:

	Remaining contractual maturity						
As at December 31, 2020	1-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Financial liabilities							
Trade and other payables	9,183	-	-	-	-	-	9,183
Non-current lease liabilities	-	5	4	-	-	-	8
Current lease liabilities	283	-	-	-	-	-	283
Total financial liabilities	**9,466**	**5**	**4**	**-**	**-**	**-**	**9,475**

	Remaining contractual maturity						
As at December 31, 2019	1-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Financial liabilities							
Trade and other payables	-	-	-	-	-	-	-
Non-current lease liabilities	-	35	-	-	-	-	35
Current lease liabilities	53	-	-	-	-	-	53
Total financial liabilities	**53**	**35**	**-**	**-**	**-**	**-**	**88**

	Remaining contractual maturity						
As at January 1, 2019	1-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Financial liabilities							
Trade and other payables	-	-	-	-	-	-	-
Non-current lease liabilities	-	55	31	-	-	-	85
Current lease liabilities	145	-	-	-	-	-	145
Total financial liabilities	**145**	**55**	**31**	**-**	**-**	**-**	**231**

Note 4.2 | Ageing of financial liabilities (continued)

Reconciliation of changes in liabilities incurred as a result of financing activities:

		Non-cash changes				
2020	January 1	Cash flow effect	New leases	Foreign exchange movement	Other changes	December 31
Non-current lease liabilities	33	-199	169	-4	9	8
Current lease liabilities	57	-53	276	-4	-	276
Total liabilities from financing	**90**	**-252**	**446**	**-7**	**9**	**284**

		Non-cash changes				
2019	January 1	Cash flow effect	New leases	Foreign exchange movement	Other changes	December 31
Non-current lease liabilities	85	-58	2	-1	5	33
Current lease liabilities	145	-99	12	-1	-	57
Total liabilities from financing	**231**	**-158**	**15**	**-3**	**5**	**90**

Note 4.3 | Financial risk management

Overview

Vaccibody's principal financial liabilities comprise lease liabilities as well as trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include other current financial assets, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

Vaccibody is exposed to a range of risks affecting its financial performance, including market risk, credit risk and liquidity risk. The Company seeks to minimise potential adverse effects of such risks by exercising sound business practise, risk management and hedging.

Risk management is carried out by Vaccibody's management under policies approved by the Board. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Company comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include other current financial assets, cash and cash and cash equivalents, lease liabilities and trade and other payables.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Vaccibody has a limited exposure to the risk of changes in market interest rates for its financial liabilities as it has no interest-bearing debt. The fair value of other current financial assets comprised of money market funds are dependant on market interest rates. Vaccibody currently does not hedge interest rik exposure using [derivative] financial instruments, but may may enter into contracts to offset some of the risk depending on future expected interest rates.

Interest rate sensitivity

The impact on the Company's profit before tax of a possible change in interest rates with all other variables held constant is illustrated below. In calculating the sensitivity analyses, the Company assumes that the sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective financial risks.

Interest rate sensitivity	Increase / decrease in basis points	Effect on profit before tax	Effect on equity
December 31, 2020	+/- 50	1,044	1,044
December 31, 2019	+/- 50	159	159
January 1, 2019	+/- 50	84	84

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Vaccibody's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (income and expenses denominated in a foreign currency). Vaccibody's income is denominated in USD while operating expenses are mainly denominated in NOK. The Company's assets and liabilities at the end of the reporting period are mainly denominated in USD with some exposure to NOK (other current financial assets). Vaccibody currently does not hedge currency exposure using [derivative] financial instruments, but monitors the net exposure over time.

Foreign currency sensitivity

The following table illustrates the effect of a hypothetical increase or decrease in foreign exchange rates in the period, holding all other variables constant:

Foreign currency sensitivity	Date	Change in FX rate	Effect on profit before tax	Effect on equity
Increase / decrease in NOK/USD	31.12.2020	+/- 10%	6,207	6,207
Increase / decrease in NOK/USD	31.12.2019	+/- 10%	4,306	4,306
Increase / decrease in NOK/USD	01.01.2019	+/- 10%	1,298	1,298

Note 4.3 | Financial risk management (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss.

Vaccibody is exposed to credit risk related to trade and other receivables, other long-term receivables, contract assets, cash and cash equivalents and other current financial assets. However, the credit risk is assessed to be low as the counterparty to these assets in most cases is Nordea whose credit risk is considered to be very low.

Liquidity risk

Liquidity risk is the risk that Vaccibody will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Vaccibody monitors its risk to a shortage of funds by monitoring its working capital and securing sufficient funding.

The Company's objective is to secure funding for its working capital, including mainly the research and development of vaccines. Vaccibody has a significant balance of cash and cash equivalents and the liquidity risk is assessed as low. An overview of the maturity profile of the Company's financial liabilities with corresponding cash flow effect is presented in note 4.2.

Note 4.4 | Fair value measurement

ACCOUNTING POLICIES

Fair value is the price that would be received from the sale of an asset or paid for the transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another participant that would use the asset in its highest and best use.

Vaccibody uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input of significance to the fair value measurement is unobservable

Fair value disclosures

Management has assessed that the fair values of cash and short-term deposits, trade and other receivables, contract assets and contract liabilities, government grants and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments and current risk-free interest rates.

Fair value of financial assets and liabilities

Money market funds

The fair values of money market funds have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including to forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of the fair value of such money market funds.

Derivatives

The fair value of forward exchange contracts is based on available market information. The fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Other long-term receivables

The fair values of other long-term receivables have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate and credit risk.

Note 4.4 | Fair value measurement (continued)

Set out below is a comparison, by class, of the carrying amounts and fair values of Vaccibody's financial instruments other than those with carrying amounts that are reasonable approximations of fair values:

	Date	Carrying amount	Fair value	Level 1	Level 2	Level 3
Liabilities and assets disclosed at fair value						
Assets						
Other long-term receivables	31.12.2020	556	556		X	
Other current financial assets (Note 4.1)						
Money market funds	31.12.2020	24,944	24,944		X	
Total other current financial assets	**31.12.2020**	**24,944**	**24,944**			
Other long-term receivables	31.12.2019	4	4		X	
Other current financial assets (Note 4.1)						
Money market funds	31.12.2019	21,681	21,681		X	
Total other current financial assets	**31.12.2019**	**21,681**	**21,681**			
Other long-term receivables	01.01.2019	9	9		X	
Other current financial assets (Note 4.1)						
Money market funds	01.01.2019	12,903	12,903		X	
Derivatives	01.01.2019	80	80		X	
Total other current financial assets	**01.01.2019**	**12,982**	**12,982**			

There were no transfers between the levels during the current period.

Note 4.5 | Equity and shareholders

Capital management

Vaccibody's goal is to secure its shareholders a best possible long term-return on capital employed, measured as the aggregate of dividends and appreciation of the share value.

Vaccibody manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or issue debt. Vaccibody monitors its capital using an equity ratio, which is 'total equity' divided by 'total assets'.

	31.12.2020	31.12.2019	01.01.2019
Equity	178,850	27,631	15,124
Total assets	230,028	33,386	17,959
Equity ratio	**78%**	**83%**	**84%**

ACCOUNTING POLICIES

Costs related to equity transactions

Transaction costs are deducted from equity, net of associated income tax.

Distribution to shareholders

Vaccibody recognizes a liability to make distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

No distributions were made to shareholders in the current or prior periods.

Issued capital and reserves:

Share capital in Vaccibody AS	Number of shares authorised and fully paid	Par value per share (NOK)	Financial Position (USD '000)
At January 1, 2019	**48,479,880**	**0.05**	**279**
Share capital increase			
March 19, 2019	5,750,000	0.05	34
October 11, 2019	44,000	0.05	-
November 1, 2019	568,000	0.05	3
November 13, 2019	131,200	0.05	1
At December 31 2019	**54,973,080**	**0.05**	**316**
Share capital increase			
January 17, 2020	824,596	0.05	5
March 4, 2020	554,000	0.05	3
April 1, 2020	206,660	0.05	1
Share split 1:5 - July 14, 2020	226,233,344	0.01	-
September 9, 2020	750,000	0.01	1
September 16, 2020	86,000	0.01	-
October 21, 2020	910,000	0.01	1
December 29, 2020	247,500	0.01	-
At December 31, 2020	**284,785,180**	**0.01**	**327**

The share capital increases in the periods are all related to the exercise of warrants, see additional information in note 4.8.

All shares are ordinary and have the same voting rights and rights to dividends.

Reconciliation of the Company's equity is presented in the statement of changes in equity.

Note 4.5 | Equity and shareholders (continued)

Vaccibody's shareholders:

Shareholders in Vaccibody AS at December 31, 2020	Total shares	Ownership/ Voting rights
Datum AS	32,505,000	11.4 %
Rasmussengruppen AS	27,957,500	9.8 %
Radforsk	24,057,000	8.4 %
AS Tanja	11,450,000	4.0 %
Skøien AS	9,950,001	3.5 %
DNB Markets Aksjehandel/-analyse	8,999,991	3.2 %
OM Holding AS	8,144,004	2.9 %
Norda ASA	7,996,755	2.8 %
Vatne Equity AS	7,812,500	2.7 %
Christiania Skibs AS	6,304,250	2.2 %
Joh Johannson Eiendom AS	5,363,425	1.9 %
Datum Invest AS	5,000,000	1.8 %
Portia AS	4,500,000	1.6 %
Adrian AS	4,470,100	1.6 %
Alden AS	3,125,315	1.1 %
Skibs AS Tudor	3,125,000	1.1 %
Verdipapirfondet Norge Selektiv	3,043,490	1.1 %
Borgano AS	3,000,000	1.1 %
Hortulan AS	3,000,000	1.1 %
Norron Sicav - Target Fund	2,918,320	1.0 %
Other shareholders	102,062,529	35.8 %
Total	**284,785,180**	**100 %**

Shareholders in Vaccibody AS at December 31, 2019	Total shares	Ownership/ Voting rights
Datum AS	6,484,500	11.8 %
Sarsia Seed AS	4,874,800	8.9 %
Radforsk	4,811,400	8.8 %
AS Tanja	2,290,000	4.2 %
Portia AS	1,850,000	3.4 %
Norron Sicav - Target fund	1,739,700	3.2 %
Skøien AS	1,670,800	3.0 %
Om Holding AS	1,652,000	3.0 %
Norda ASA	1,633,956	3.0 %
Verdipapirfondet Norge Selektiv	1,606,408	2.9 %
Vatne Equity AS	1,550,000	2.8 %
Arctic Funds plc.	1,100,075	2.0 %
Joh Johannson Eiendom AS	875,000	1.6 %
Cressida AS	840,000	1.5 %
Dukat AS	813,700	1.5 %
Nortulan AS	796,239	1.4 %
Adrian AS	794,020	1.4 %
Altitude capital AS	793,570	1.4 %
Skips AS Tudor	725,000	1.3 %
Christiania Skibs AS	720,000	1.3 %
Other shareholders	17,351,912	31.6 %
Total	**54,973,080**	**100 %**

Note 4.5 | Equity and shareholders (continued)

Shareholders in Vaccibody AS at January 1, 2019	Total shares	Ownership/ Voting rights
Sarsia Seed AS	6,074,800	13%
Radforsk	4,811,400	10%
Datum invest AS	4,152,600	9%
Norda ASA	3,376,800	7%
Arctic Funds plc	2,929,140	6%
Other shareholders	27,135,140	56%
Total	**48,479,880**	**100%**

Shares held by Executive Management or the Board at the end of the reporting periods are summarised in note 6.1.

Note 4.6 | Cash and cash equivalents

ACCOUNTING POLICIES

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. Restricted bank deposits comprise of cash for withholding taxes which may not be used for other purposes.

Cash and cash equivalents	31.12.2020	31.12.2019	01.01.2019
Bank deposits, unrestricted	183,376	9,911	3,625
Bank deposits, restricted	475	255	109
Total cash and cash equivalents	**183,851**	**10,165**	**3,734**

Bank deposits earn low interest at floating rates based on bank deposit rates.

Note 4.7 | Financial income and expenses

ACCOUNTING POLICIES

Interest income and interest expenses are calculated using the effective interest rate method.

Foreign currency gains or losses are reported as a gain or loss on foreign exchange in financie income and finance costs, except for translation effects from functional currency to presentation currency which are presented within OCI. For other accounting policies related to the underlying financial instruments, reference is made to note 4.1.

Interest expense on lease liabilities represents the interest rate implicit in the lease, or the incremental borrowing rate used to measure the lease liabilities recognized in the statement of financial position. For further disclosures see note 3.2.

Finance income	2020	2019
Interest income	198	387
Other finance income	7	-
Gain on foreign exchange	3,544	555
Fair value gain on other current financial assets	66	-
Total finance income	**3,815**	**942**

Finance costs	2020	2019
Interest expenses	37	24
Interest expense on lease liabilities	9	5
Other financial costs	219	6
Loss on foreign exchange	911	615
Fair value loss on other current financial assets	-	46
Total financial costs	**1,176**	**695**

Interest income represents mainly interest income on cash deposits, and interest expenses represents mainly interest expenses on overdue payables, measured and classified at amortised cost in the statement of financial position.

Other financel income and other finance costs are mostly related to realised gains and losses on money market funds.

Fair value gains or losses on other current financial assets is related to changes in market value of money market funds.

Note 4.8 | Share-based payments

ACCOUNTING POLICIES

Employees (including members of the Board and management) of the Company receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (the Black-Scholes-Merton Model).

That cost is recognized i as an employee benefit expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected in the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to the immediate expensing of an award unless it also involves service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 4.9).

Cash-settled transactions

A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognized as an employee benefit expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a appropriate valuation model (the Black-Scholes-Merton model). The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Transactions where the Company has a choice of settlement in equity or in cash

Where the Company has a choice of settlement, the accounting treatment is binary. In other words the whole transaction is treated either as cash-settled or as equity-settled, depending on whether or not the entity has a present obligation to settle in cash.

IFRS 2 requires a transaction to be treated as a liability (and accounted for using the rules for cash-settled transactions) if:

- the choice of settlement has no commercial substance (for example, because the entity is legally prohibited from issuing shares);
- the entity has a past practice or stated policy of settling in cash; or
- the entity generally settles in cash whenever the counterparty asks for cash settlement.

SIGNIFICANT ACCOUNTING JUDGMENTS

The Company has the choice of electing whether to settle the warrants in cash or by delivery of shares, the recipient do not have this option. The Company has no past practice or stated policy of cash settlement for these warrants and currently expects to settle the warrants by delivery of shares. Therefore, the Company accounts for these warrants as equity-settled transactions.

Note 4.8 | Share-based payments (continued)

Warrant and share option plan - Description

Under the Company's plan, rights to purchase the company's stock at a specific price are granted to members of the Board, management and key employees of Vaccibody. The warrants have been granted to individual members over the inception of the plan from August 20, 2013 until September 1, 2020. The warrants (or "options") are generally granted in tranches that vest over 0-3 years, with a few grants vesting over 3-4 years, subject to employment in the Company.

The warrants/options can be exercised on average four to five years after the grant date. Vaccibody accounts for the warrants/options as equity-settled transactions, measured by applying the Black-Scholes-Merton option-pricing model for European options ("BSM"). Warrants held by members of the Board and management at the end of the reporting period are summarised in note 6.1.

The fair value of the options were determined at the grant dates and expensed over the vesting period. KUSD 2,598 was expensed as employee benefit expenses in the period (KUSD 889 in 2019). The expected future social security tax on share-based payment are recorded as a liability and disclosed in note 2.8.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2020		2019	
	WAEP (NOK)	Number	WAEP (NOK)	Number
Outstanding options January 1	**3.78**	**20,207,350**	**1.98**	**20,107,844**
Options granted	23.86	2,750,000	8.62	4,866,665
Options forfeited	2.83	-2,069,120	1.46	-1,861,159
Options exercised*	2.07	-6,506,800	0.94	-2,906,000
Options expired	-	-	-	-
Outstanding options December 31	**8.52**	**14,381,430**	**3.78**	**20,207,350**
Exercisable at December 31	3.19	7,581,425	2.09	11,389,880

* The weighted average share price at the date of exercise of these options was NOK 27.9 in 2020, and NOK 11.0 in 2019.

The weighted average remaining contractual life for the options outstanding as at December 31, 2020 was 2.33 years (2019: 2.63 years).

The weighted average fair value of options granted during the year was NOK 10.22 (2019: NOK 4.52).

Note 4.8 | Share-based payments (continued)

Overview of outstanding options at December 31, 2020

Exercise price (NOK)	Number of outstanding options	Weighted Average remaining contractual life	Number of options exercisable
0.34	884,000	1.97	884,000
0.50	276,000	1.97	276,000
0.53	164,000	1.97	164,000
0.65	330,000	0.37	330,000
2.50	4,033,764	1.32	3,633,764
4.00	1,275,001	2.00	1,141,666
7.00	392,000	2.00	125,330
8.00	116,665	1.00	116,665
8.80	2,910,000	3.00	910,000
9.40	1,250,000	3.00	-
12.20	600,000	3.00	-
18.00	650,000	1.25	-
25.20	500,000	4.42	-
30.50	500,000	4.59	-
37.50	500,000	4.67	-
Outstanding options	**14,381,430**		**7,581,425**

Overview of outstanding options at December 31, 2019

Exercise price (NOK)	Number of outstanding options	Weighted Average remaining contractual life	Number of options exercisable
0.34	884,000	2.97	884,000
0.50	276,000	2.97	276,000
0.53	164,000	2.97	164,000
0.65	860,000	1.44	860,000
0.80	1,057,500	1.00	1,057,500
2.50	10,870,184	2.26	7,469,384
4.00	1,329,001	3.00	562,331
7.00	400,000	3.00	-
8.00	116,665	2.00	116,665
8.80	3,000,000	4.00	-
9.40	1,250,000	4.00	-
Outstanding options	**20,207,350**		**11,389,880**

Note 4.8 | Share-based payment (continued)

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the options, volatility and dividend yield and making assumptions about them. Due to the limited availability of historical data and liquidity, these assumptions include significant estimates by management.

Assumptions used to determine the fair value of option grants:

The following table lists the inputs to the model used for the plans for the years ended December 31, 2020 and 2019, respectively:

	2020	2019
Weighted average fair values at the measurement date (NOK)	10.22	4.52
Dividend yield (%)	0%	0%
Expected volatility (%)	56.6 %	55.5 %
Risk–free interest rate (%)	0.71%	1.18%
Expected life of share options (years)	2.64	2.64
Weighted average share price (NOK)	26.22	10.52
Weighted average exercise price (NOK)	23.86	8.61
Model used	BSM	BSM

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Note 4.9 | Earnings per share

ACCOUNTING POLICIES

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the EPS calculations:

	2020	2019
Profit or loss attributable to ordinary equity holders - for basic EPS	149,774,076	-13,696,125
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution*	149,774,076	-13,696,125
Weighted average number of ordinary shares - for basic EPS	279,643,165	273,013,821
Weighted average number of ordinary shares adjusted for the effect of dilution	296,145,297	292,811,483
Basic EPS - profit or loss attributable to equity holders of the Company	**0.54**	**-0.05**
Diluted EPS - profit or loss attributable to equity holders of the Company *	**0.51**	**-0.05**

The Weighted average number of ordinary shares includes the effect of the 1:5 share split for shares issued for no consideration on July 14, 2020 as if it occurred at January 1 , 2019 according to IAS 33.28. This is to ensure that the earnings per share for the periods presented are comparable.
*For 2019 the ordinary shares are not adjusted for the effect of dilution as the effect of including the additional shares is antidilutive.

Section 5 – Tax
Note 5.1 | Taxes

ACCOUNTING POLICIES

Current income tax

Current income tax is measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity (OCI) and not in the statement of profit or loss.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

Note 5.1 | Taxes (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Vaccibody AS has KUSD 31,737 as at December 31, 2020 (KUSD 33,935 as at December 31, 2019 and KUSD 21,416 as at January 1, 2019) of tax losses carried forward. These losses relate to historical losses in the Company. The tax loss carried forward from Norwegian entities may be offset against future taxable income and will not expire.

In 2018 and 2019, the tax loss carried forward was not recognized in the balance sheet as the Company had determined that it had no basis for recognising the deferred tax assets on the tax losses carried forward.

In 2020, the Company has a deferred tax liability mainly attributable to the sale of a license to Genentech which will be recognized over five years. Deferred tax liabilities and deferred tax assets are offset in 2020.

Current income tax expense:	2020	2019
Income tax payable	-	-
Change deferred tax/deferred tax assets (ex. OCI effects)	31,130	-
Total income tax expense	**31,130**	**-**

Deferred tax relates to the following:	31.12.2020	31.12.2019	01.01.2019
Property, plant and equipment	13	-	-6
Other current assets	187,320	11	-
Other liabilities	-14,094	-1,887	-
Losses carried forward	-31,737	-33,935	-21,416
Unused tax losses for which no deferred tax asset	-	35,810	21,422
Basis of deferred tax	**141,502**	**-**	**-**
Deferred tax liabilities in the statement of financial position	**31,130**	**-**	**-**

The Company's operations are subject to income tax in Norway. The statutory income tax rate is 22% for both periods. A reconciliation of the differences between the theoretical tax expense under the rate applicable in Norway and the actual tax expense is as follows:

Reconciliation of income tax expense	2020	2019
Profit or loss before tax	**180,905**	**-13,696**
Tax expense 22% (Norwegian tax rate)	39,799	-3,013
Permanent differences*	447	75
Currency effects	-767	-
Effect of not recognising deferred tax assets	-8,348	2,938
Recognized income tax expense	**31,130**	**-**

* The permanent differences are related to other non-deductible costs less SkatteFUNN.

Section 6 – Other disclosures

Note 6.1 | Remuneration to Executive Management and the Board

Remuneration to the Board of Directors
Remuneration of the members of the Board is determined by the Annual General Meeting (AGM). The remuneration is not linked to the Company's performance but reflects the Board's responsibilities, expertise, time and commitment.

The Board members also receive compensation for their services in warrants. The conditions for these grants and the terms and assumptions are disclosed in note 4.8. Board members' holdings of warrants are summarised further below.

Remuneration to Executive Management
The Board of Vaccibody AS determines the principles applicable to the Company's policy for compensation to the executive management team. The Board is directly responsible for determining the CEO's salary and other benefits. The Company's executive management team includes the Chief Executive Officer ("CEO"), the Chief Scientific Officer ("CSO"), the Chief Technical Officer ("CTO"), the Chief Medical Officer ("CMO"), the Chief Financial Officer ("CFO"), and the Director Business Development ("DBM"). In 2020, the CFO is interim.

Principles for determining salary
The main principle for determining salary for each executive management member has been a fixed annual salary with the addition of benefits in kind such as telephone, insurance and internet subscription. The fixed salary has been determined on the basis of the following factors: competitive salary level, scope of work and responsibilities, as well as an assessment of the business and individual performance.

Pension
All executive management members are enrolled in the defined contribution pension scheme.

Warrant plan
Members of the management team have been granted share options under Vaccibody's share option plan, described in note 4.8. The share options held by the management team is summarised further below.

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

Severance Arrangements
If the CEO is terminated by the Board, he is entitled to eight months' severance pay in addition to the ordinary notice period of three months.

For other members of the executive management team, there will be an individual assessment of severance packages that are reasonable in relation to responsibility and seniority and the reason for the termination of the employment.

Loans and guarantees
No loans have been granted and no guarantees have been issued to the executive management or any member of the Board of Directors.

Remuneration to Executive Management for the year ended December 31, 2020:

Name	Title	Salary	Bonus	Pension	Other compen-sation	Total remune-ration
Michael Engsig	CEO	280	111	20	13	424
Other Management		638	169	44	63	914
Total		**918**	**280**	**64**	**76**	**1,338**

Note 6.1 | Remuneration to Executive Management and the Board (continued)

Remuneration to Executive Management for the year ended December 31, 2019:

Name	Title	Salary	Bonus	Pension	Other compen-sation	Total remune-ration
Martin Bonde	Former CEO	247	115	-	267	629
Michael Engsig	Current CEO	106	-	7	-	114
Other Management		482	42	34	42	600
Total		**835**	**158**	**41**	**309**	**1,343**

Remuneration to the Board of Directors:

Name (Amounts in USD '000)	Title	2020	2019
Anders Tuv	Chairman of the Board	99	9
Lars Lund-Roland	Board member	11	9
Bernd Robert Seizinger	Board member	18	13
Jan Haudemann-Andersen	Board member	11	9
Susanne Stuffers	Board member	11	2
Christian Åbyholm	Board member	3	-
Einar Jørgen Greve	Board member	3	-
Trygve Lauvdal	Board member	-	-
Tom Edward Pike	Former Chairman of the Board	26	23
Ingrid Alfheim	Former board member	11	9
Erlend Petter Skagseth	Former board member	11	9
Total compensation to Board of Directors		**201**	**83**

Note 6.1 | Remuneration to Executive Management and the Board (continued)

Shares held by the Board of Directors:

Name	Title	31.12.2020	31.12.2019
Anders Tuv	Chairman of the Board	-	-
Lars Lund-Roland	Board member	-	-
Bernd Robert Seizinger	Board member	600,000	-
Jan Haudemann-Andersen	Board member	40,133,800	6,863,600
Susanne Stuffers	Board member	60,000	12,000
Christian Åbyholm	Board member	1,982,970	336,944
Einar Jørgen Greve	Board member	1,625,000	250,000
Trygve Lauvdal	Board member	-	-
Ingrid Alfheim	Former board member	-	50,200
Total number of shares		**44,401,770**	**7,512,744**

Warrants held by Executive Management:

Name	Title	31.12.2020	31.12.2019
Michael Engsig	CEO	2,910,000	600,000
Agnete B. Fredriksen	President and CSO	4,164,900	898,680
Mette Husbyn	CTO	1,190,000	245,200
Siri Torhaug	CMO	1,250,000	250,000
Caspar Foghsgaard	DBD	392,000	80,000
Martin Bonde	Former CEO	-	594,000
Mads Axelsen	Former CMO	-	295,200
Total number of warrants		**9,906,900**	**2,963,080**

Warrants held by the Board of Directors:

Name	Title	31.12.2020	31.12.2019
Anders Tuv	Chairman of the Board	800,000	80,000
Lars Lund-Roland	Board member	-	80,000
Bernd Robert Seizinger	Board member	-	120,000
Jan Haudemann-Andersen	Board member	-	46,660
Susanne Stuffers	Board member	116,665	23,333
Christian Åbyholm	Board member	100,000	-
Einar Jørgen Greve	Board member	150,000	-
Tom Edward Pike	Former Chairman of the Board	-	234,000
Ingrid Alfheim	Former board member	-	120,000
Erlend Petter Skagseth	Former board member	400,000	80,000
Total number of warrants		**1,566,665**	**783,993**

The number of warrants at December 31, 2020 includes the effect of the 1:5 share split for shares issued for no consideration on July 14, 2020.

Note 6.2 | Related party transactions

Related parties are major shareholders, members of the board and Executive Management in the Company. Note 4.5 provides information on the Company's major shareholders. Significant agreements and remuneration paid to Executive Management and the Board for the current and prior periods is presented in note 6.1.

All transactions with related parties are based on the principle of arm's length.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period:

Related party transactions in 2020	Executive management	Board member	Other shareholders	Total
Payments to related parties	1,338	201	-	1,540

The payments to related parties consist of salary, bonus, pension, other compensation and board remuneration paid to Executive management and Board members. The Executive management and the Board members also held shares and warrants in the Company at the end of the period as presented in note 6.1.

Related party transactions in 2019	Executive management	Board member	Other shareholders	Total
Payments to related parties	1,343	83	-	1,426

The payments to related parties consist of salary, bonus, pension, other compensation and board remuneration paid to Executive management and Board members. The Executive management and the Board members also held shares and warrants in the Company at the end of the period as presented in note 6.1.

Vaccibody AS had no related party balances at January 1, 2019, December 31, 2019 or December 31, 2020.

Note 6.3 | Events after the reporting period

ACCOUNTING POLICIES

If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Company will assess if the information affects the amounts recognized in the Company's financial statements. The Company will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognized in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Adjusting events

There have been no significant adjusting events subsequent to the reporting date.

Non-adjusting events

On January 8, 2021, Vaccibody Denmark A/S was registered as a limited liability company, wholly-owned by Vaccibody As. Vaccibody Denmark A/S is incorporated in Denmark with the objective of performing business consulting and other management consulting activities.

There have been no other significant non-adjusting events subsequent to the reporting date.

Section 7 – Accounting policies
Note 7.1 | First-time adoption of IFRS

These financial statements, for the period ended December 31, 2020 are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Accordingly, Vaccibody has prepared financial statements that comply with IFRS applicable as at 31 December 2020, together with the comparative period ended 31 December 2019, as described in the basis of preparation (Note 1.2). In preparing the financial statements, the Company's opening statement of financial position was prepared as at January 1, 2019, the Company's date of transition to IFRS.

This note explains the principal adjustments made by the Company when transitioning to IFRS from its previous reporting framework; Generally Accepted Accounting Principles in Norway ("NGAAP") for small entities as of January 1, 2019, as well as for the period ended 31 December 2019.

Exemptions applied
IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. Vaccibody AS has applied the following exemptions:

Account for leases where the lease period ends within 12 months of the transition date as short-term leases (IFRS 1.D9D).

Measure the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the transition date and measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the transition date (IFRS 1.D9B).

The estimates applied at January 1, 2019 and 31 December 2019 are consistent with those made for the same dates in accordance with NGAAP (after adjustments to reflect any differences in accounting policies).

Effect of transition to IFRS
The main differences when transitioning to IFRS are related to the recognition of right-of-use assets and lease liabilities, fair value adjustment on financial instruments and share-based payments.

Note 7.1 | First-time adoption of IFRS (continued)

Reconciliation of transitional effects

Amounts in USD '000

ASSETS	Note	NGAAP OB 2019	Effect of transition to IFRS	IFRS
Non-current assets				
Property, plant and equipment		13	-	13
Right-of-use assets	C	-	231	231
Intangible assets		34	-	34
Other non-current receivables		9	-	9
Total non-current assets		**56**	**231**	**287**
Current assets				
Other receivables		956	-	956
Other current financial assets	E	12,903	80	12,982
Cash and cash equivalents		3,734	-	3,734
Total current assets		**17,593**	**80**	**17,672**
TOTAL ASSETS		**17,648**	**310**	**17,959**

Amounts in USD '000

EQUITY AND LIABILITIES	Note	NGAAP OB 2019	Effect of transition to IFRS	IFRS
Equity				
Share capital		279	-	279
Share premium		33,121	-	33,121
Other capital reserves	A	-	932	932
Retained Earnings		-17,279	-1,930	-19,209
Total equity		**16,122**	**-998**	**15,124**
LIABILITIES				
Non-current liabilities				
Non-current lease liabilities	D	-	85	85
Non-current provisions	B	-	1,077	1,077
Total non-current liabilities		**-**	**1,163**	**1,163**
Current liabilities				
Government grants		92	-	92
Current lease liabilities	D	-	145	145
Trade and other payables		1,205	-	1,205
Current provisions		230	-	230
Total current liabilities		**1,527**	**145**	**1,672**
Total liabilities		**1,527**	**1,308**	**2,835**
TOTAL EQUITY AND LIABILITIES		**17,648**	**310**	**17,959**

Note 7.1 | First-time adoption of IFRS (continued)

A. The IFRS adjustment of KUSD 932 reflects the recognition of share based payments. Under NGAAP, the options were not reflected in the Company's financial statements as the exemption for small entities was applied. Under IFRS 2, the options are recognized in profit or loss with a corresponding adjustment to equity over the vesting period

B. Non-current provisions are adjusted by KUSD 1,077. The adjustment is related to the social security payments expected to be paid in the future for the share-based payment schemes described in note A

C. The IFRS adjustment of KUSD 231 reflects the recognized right-of-use assets related to leasing of office space. Under NGAAP, lease payments were accounted for as operating expenses and hence no asset was recognized

D. The IFRS adjustments of KUSD 85 and KUSD 145 reflect the non-current and current portion of the lease liability recognized for leasing of office space under IFRS 16. Under NGAAP, no lease liability was recognized

E. The IFRS adjustment of KUSD 80 reflects the fair value of derivatives (currency forwards) with a corresponding increase in retained earnings. Derivatives were not recognized in the balance sheet under NGAAP

Note 7.1 | First-time adoption of IFRS (continued)

Reconciliation of equity and financial position as at December 31, 2019:

Amounts in USD '000

ASSETS	Note	NGAAP	Effect of transition to IFRS	IFRS
Non-current assets				
Property, plant and equipment		73	-	73
Right-of-use assets	A	-	100	100
Intangible assets		34	-	34
Other non-current receivable		4	-	4
Total non-current assets		**111**	**100**	**212**
Current assets				
Trade receivables		1	-	1
Other receivables		1,326	-	1,326
Other current financial assets		21,681	-	21,681
Cash and cash equivalents		10,165	-	10,165
Total current assets		**33,174**	**-**	**33,174**
TOTAL ASSETS		**33,285**	**100**	**33,386**

Amounts in USD '000

EQUITY AND LIABILITIES				
Equity				
Share capital		316	-	316
Share premium		59,133	-	59,133
Other capital reserves	E	-	1,821	1,821
Other components of equity		-735	-	-735
Retained Earnings	C	-28,142	-4,763	-32,905
Total equity		**30,573**	**-2,942**	**27,631**

Amounts in USD '000

Non-current liabilities				
Non-current lease liabilities	D	-	33	33
Non-current provisions	B	-	1,404	1,404
Total non-current liabilities		**-**	**1,437**	**1,437**
Current liabilities				
Government grants		91	-	91
Current lease liabilities	D	-	57	57
Trade and other payables		2,337	-	2,337
Current provisions	B	284	1,549	1,833
Total current liabilities		**2,712**	**1,606**	**4,318**
Total liabilities		**2,712**	**3,043**	**5,755**
TOTAL EQUITY AND LIABILITIES		**33,285**	**100**	**33,386**

A. The IFRS adjustment of KUSD 100 reflects the recognized right-of-use asset less depreciation for the year related to leasing of office space. Under NGAAP, lease payments were accounted for as operating expenses and hence no asset or liability has previously been recognized.

B. Non-current provisions are adjusted by KUSD 1,404 and current provisions are adjusted by KUSD 1,549 in recognition of the expected social security that will be paid in the future for the share-based payment. Previously, when applying the accounting principles for NGAAP for small entities no liability was recognized.

C. The adjustment to retained earnings reflects the IFRS adjustments at January 1, 2019 of KUSD 1,930 in addition to the adjustments to total comprehensive income of KUSD -2,833 (see below).

D. The IFRS adjustments of KUSD 33 and KUSD 57 reflect the non-current and current portion of the lease liability recognized for leasing of office space in accordance with IFRS 16.

E. The IFRS adjustment of KUSD 1,821 reflects the recognition of share-based payment. Under NGAAP, the options were not reflected in the Company's financial statements as the exemption for small entities was applied. Under IFRS 2, the options are recognized in profit or loss with a corresponding adjustment over the vesting period.

Note 7.1 | First-time adoption of IFRS (continued)

Reconciliation of total comprehensive income for 2019:

Amounts in USD '000	Notes	NGAAP	Effect of transition to IFRS	IFRS
Other income		1,412		1,412
Total other income		**1,412**	**-**	**1,412**
Employment benefit expense	D	3,315	2,764	6,079
Other operating expenses	A	9,273	-158	9,115
Depreciation	B	15	145	160
Operating profit or loss		**-11,191**	**-2,752**	**-13,943**
Finance income		942	-	942
Finance costs	C	611	84	695
Profit or loss before tax		**-10,860**	**-2,836**	**-13,696**
Income tax expense		-	-	-
Profit or loss for the year		**-10,860**	**-2,836**	**-13,696**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences	E	-738	3	-735
Total other comprehensive income for the year		**-738**	**3**	**-735**
Total comprehensive income for the year		**-11,598**	**-2,833**	**-14,431**

A. The IFRS adjustment of KUSD -158 reflects the reversal of lease expense for the operating leases of office space. As the leases are recognized in the balance sheet according to IFRS 16, the previous expense is reversed

B. The IFRS adjustment of KUSD 145 reflects the additional depreciation of right-of-use assets for the period for leases recognized under IFRS 16

C. The IFRS adjustment of KUSD 84 is related to interest expense on the lease liability under IFRS 16 of KUSD 5 in addition to KUSD 80 from the settlement of the Company's currency forwards. The settlement during 2019 results in derecognition of the derivative with a corresponding entry to financial expenses

D. The IFRS adjustment of recognising shared-based payments for 2019 of KUSD 889 plus the increase in the social security provision for share-based payment of KUSD 1,875 in 2019

E. Currency translation effects on leases

Note 7.1 | First-time adoption of IFRS (continued)

Reconciliation of statement of cash flows for 2019:

Amounts in USD '000	Notes	NGAAP	Effect of transition to IFRS	IFRS
Cash flows from operating activities				
Profit or loss before tax	**A**	**-10,860**	**-2,836**	**-13,696**
Adjustments to reconcile profit before tax to net cash flows:				
Net financial income/expense included in financing activities	B	-391	5	- 386
Depreciation and impairment of property, plant and equipment		15	-	15
Depreciation and impairment of right-of-use assets	C	-	145	145
Share-based payment expense	D	-	889	889
Net foreign exchange differences		-229	-	-229
Working capital adjustments:				
Changes in other receivables		-369	-	-369
Changes in trade and other payables		1,133	-	1,133
Changes in current provisions and other liabilities	E	54	1,629	1,683
Changes in non-current provisions	E	-	326	326
Net cash flows from operating activities		**-10,647**	**158**	**-10,489**
Cash flows from investing activities				
Purchase of property, plant and equipment		-76	-	-76
Purchase of financial instruments		-11,907	-	-11,907
Proceeds from sale of financial instruments		2,884	-	2,884
Interest received		39	-	39
Net cash flows from investing activities		**-9,060**	**-**	**-9,060**

Note 7.1 | First-time adoption of IFRS (continued)

Amounts in USD '000	Notes	NGAAP	Effect of transition to IFRS	IFRS
Cash flow from financing activities				
Proceeds from issuance of equity		26,049	-	26,049
Payments for the principal portion of the lease liability	F	-	-153	-153
Payments for the interest portion of the lease liability	F	-	-5	-5
Interest paid		-24	-	-24
Net cash flows from financing activities		**26,025**	**-158**	**25,868**
Net increase/(decrease) in cash and cash equivalents		6,318	-	6,318
Cash and cash equivalents at beginning of the year		3,734	-	3,734
Net foreign exchange difference		114	-	114
Cash and cash equivalents, end of year		**10,166**	**-**	**10,166**

A. The effect on profit or loss before tax of KUSD 2,836 reflects the adjustments described in the reconciliation of P&L for the year ended December 31, 2019

B. The effect on net financial income/expense included in financing activities of KUSD 5 reflects the finance cost related to interest expense on the lease liability under IFRS 16

C. The effect on depreciation and impairment of right-of-use assets of KUSD 145 reflects the depreciation charge for the period as a result of IFRS 16

D. The IFRS adjustment of recognising shared-based payments for 2019 of KUSD 889

E. Represents the increase in the social security provision for share-based payment of KUSD 1,875 in 2019 and the settlement of the Company's currency forwards of KUSD 80.

F. The adjustments represent the lease payments of KUSD 153 and payments for the interest portion of lease payments of KUSD 5

Note 7.2 | Changes in IFRS and new standards

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

Amendment to IFRS 16 - COVID-19-related rent concessions
In May 2020, the IASB issued COVID-19-Related Rent Concessions - Amendment to IFRS 16 Leases. The Board amended the standard to provide an optional relief to lessees from applying IFRS 16's guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions described in IFRS 16 paragraph 46B are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before June 30, 2021 and increased lease payments that extend beyond June 30, 2021)
- There is no substantive change to other terms and conditions of the lease

A lessee applies the amendment for annual reporting periods beginning on or after June 1, 2020.

The amendments are not expected to have a significant impact on the Company's financial statements.

IFRS 17 Insurance Contracts
IFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. However, this standard is not applicable to the Company.

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vaccibody AS, which comprise the balance sheet as at 31 December 2020, the income statement, statement of changes in equity and statement of cash flows 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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

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 a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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 and using the going concern basis of accounting unless management either intends to liquidate the Company 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 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 a true and fair view.

We communicate with those charged with governance 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Annual Report concerning the financial statements, requirements set out in the Norwegian Accounting Act section 3-3a (the Board of Director's report) and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

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, 20 April 2021
Deloitte AS

Reidar Ludvigsen
State Authorised Public Accountant (Norway)

This document is signed electronically.

Corporate information

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Annual General Meeting
This year's Annual General Meeting to be held on May 5, 2021.

Glossary

Antigen
An antigen is a molecule recognized by the immune system. "Non-self" antigens are identified as intruders and attacked by the immune system.

APC
Antigen Presenting Cells (APC) are part of the immune system and are cells that display antigens on their surfaces and present them to T cells.

B cell
Immune cells, also known as B lymphocytes, are responsible for mediating the production of antigen-specific antibodies.

CD4+ T cells
Immune cells able to activate and help other immune cells by releasing signaling molecules, thereby orchestrating an optimal immune response, also known as helper T cells.

CD8+ T cells
Immune cells able to kill cancer or virus-infected cells, also known as cytotoxic or killer T cells.

Checkpoint inhibitor
Checkpoint inhibitors, also known as immune checkpoint inhibitors, is a type of drug that activates the immune system to fight cancer. The drug prevents the "off" signal, which then enables the immune system to become activated.

CMC
Chemistry, Manufacturing and Controls.

DNA
Deoxyribonucleic acid (DNA) is the hereditary material found in every cell and is unique for each individual. DNA consists of genes that encode for proteins.

DNA vaccine
Vaccines are made to induce an immune response to an antigen, to boost the immune system. When the antigen is delivered as a DNA molecule (plasmid), it is called a DNA vaccine.

Epitope
An epitope is the part of an antigen that is recognized by the immune system, specifically by antibodies, B cells, or T cells. For example, the epitope is the specific piece of the antigen to which a T cell binds.

HPV
Human papillomavirus. There are several strains, and HPV16 is the strain most associated with cancer.

HSIL
High-grade squamous intraepithelial lesions of the cervix. This corresponds to cervical intraepithelial neoplasia grade 2/3 (CIN 2/3).

Immuno-oncology
Cancer immunotherapy, also called immuno-oncology, is a type of cancer treatment that helps the immune system fight cancer.

Individualized vaccine
On-demand vaccine designed and manufactured specifically for each individual patient.

IP
Intellectual property such as patents and know-how.

MIP-1α
A chemokine that attracts APC and ensures binding to receptors on the surface of APC. It is used as a targeting module in Vaccibody™ vaccines.

Mutation
A change or alteration that occurs in the DNA. Mutations may lead to cancer, and these mutations may be identified and recognized by the immune system.

Neoantigen
Novel tumor-specific antigens derived from somatic gene mutations in cancer cells that are solely expressed on a patient's tumor. These mutations may be regarded as truly foreign by the immune system.

NKTR-214
NKTR-214, or bempegaldesleukin, is an immunotherapeutic drug in clinical development by Nektar Therapeutics.

Off-the-shelf vaccine
Vaccine that can be manufactured, stored and may be used to treat large patient groups.

Phase I/IIa
Early-phase clinical trials intended to evaluate safety/tolerability and initial clinical effect.

Plasmid
A small DNA molecule carrying genes that can be expressed as proteins within a host cell.

Prophylactic vaccines
Prophylactic vaccines are vaccines that may prevent disease before it occurs, whereas therapeutic vaccines are administered after the individual is already affected by the disease or infection.

R&D
Research and development.

RNA
Ribonucleic acid (RNA) is a polymeric molecule essential in various biological roles in coding, decoding, regulation and expression of genes. All of the RNA in a natural cell is made by DNA transcription.

T cell
Immune cells of key importance to the immune system recognizing and fighting specific pathogens or cancer antigens.

Vaccibody™ technology platform
A proprietary vaccine delivery platform intended to make more efficacious vaccines by targeting the antigen to APC.

VB10.16
Vaccibody's off-the-shelf drug candidate targeting HPV16-induced malignancies such as cervical cancer.

VB10.NEO
A Vaccibody™ individualized drug candidate where each vaccine is designed based on each patient's cancer specific gene alterations (mutations).

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