FINANCIAL STATEMENTS 2018

Ultimovacs

Table of contents

About Ultimovacs

Ultimovacs is a pharmaceutical company developing novel immunotherapies against cancer. The lead product candidate is UV1, a peptide-based vaccine inducing T cell responses against the universal cancer antigen telomerase. UV1 is being developed as a therapeutic cancer vaccine for use as monotherapy, and as an add on for other immuno-oncology drugs which require an ongoing T cell response for their mode of action. Ultimovacs is performing a broad clinical development program with clinical trials in Europe and the USA.

Ultimovacs was established in 2011. The company and its proprietary technology is based on pre-clinical and clinical research on immunotherapies conducted at the Oslo University Hospital. The company is privately held, mainly by Norwegian private investors/family offices.

Ultimovacs is headquartered at the Oslo Cancer Cluster Innovation Park in Oslo, Norway, and also has an office in Uppsala, Sweden. Ultimovacs is an active member of Oslo Cancer Cluster.

Three Phase I studies have been completed at the Oslo University Hospital. The patients have been followed up for survival, immune response and new anti-cancer treatment. 52 patients were enrolled in these studies; 22 in a prostate cancer study, 18 in a non-small cell lung cancer study and 12 patients in a malignant melanoma study. In the malignant melanoma study, UV1 was given in combination with ipilimumab. Safety and tolerability were primary endpoints in all three studies, while immune response towards any of the UV1 peptides and efficacy were secondary endpoints.

Data from the three studies showed that UV1 is generally well tolerated. There were no dose limiting toxicities.

UV1 induced an immune response (hTERT specific T-cells) in 82% of patients across the three studies (range 67-91%). When combining UV1 with ipilimumab, a CTLA-4 checkpoint inhibitor, 91% of malignant melanoma patients developed an immune response. The responses appeared earlier, required fewer vaccinations, and were stronger and more long lasting compared to vaccination with UV1 alone. These data are compatible with a mechanism of action where blocking CTLA-4 checkpoints induce additional expansion of UV1 specific T cells induced by UV1 vaccination.

The three completed trials show clinical outcomes that Ultimovacs sees as a strong basis for the next development phase;

- Prostate cancer: 73% of patients were alive after 3 years
- Non-small cell lung cancer (NSCLC): Median progression free survival (mPFS) was reached at 12 months and median overall survival was reached at 28 months
- Malignant melanoma: Median progression free survival (mPFS) was reached at 6.5 months and 67% of patients were alive after 3 years

All patients are followed for overall survival up to ten years and overall survival status will be updated regularly. Ultimovacs believes that the effect of the UV1 vaccine will be most beneficial when combined with agents improving immune cells' ability to attack tumor cells.

Ultimovacs is currently the sponsor of one ongoing clinical study which is run in the US. In this phase 1 study the safety and tolerability of treatment with the combination of pembrolizumab (PD1 inhibitor) and UV1 in 20 patients with metastatic malignant melanoma is investigated. Ultimovacs is currently planning for one or more randomized trials to further document the clinical effect of UV1, most likely in combination checkpoint inhibitor(s).

Patent for UV1 is granted in the USA, China, Japan and Russia. The patent processes in Europe and other markets are still ongoing.

Statement of the CEO

Immunotherapy represents a true revolution in cancer treatment where the key is to boost the patient's immune system to fight cancer. Ultimovacs has developed a universal cancer vaccine that has the potential to give patients clinical benefits across most cancer types.

1. *Immunotherapy represents a new paradigm in cancer treatment*

During the last decades, immunotherapy has been a central area of cancer research and is now an established treatment option in many types of cancer. As compared with conventional treatments, immunotherapy utilizes a different approach to killing cancer cells. Instead of treating with toxic substances, strategies applied in immunotherapy are aimed at boosting the patient's immune system to fight cancer.

Recent successes in this field have provided significant impact on survival for cancer patients, most notably with the introduction of checkpoint inhibition.

Researchers found that even though some immune cells could recognize and potentially kill malignant cells, they were left inactivated through what is called immune checkpoint molecules. Immune checkpoints are defense mechanisms exploited by the tumor to avoid the immune system which are otherwise utilized by the body's tissue to prevent auto-immunity. Checkpoint inhibitor monoclonal antibodies were developed to block this defense mechanism, allowing the otherwise inactivated immune cells to kill cancer cells expressing their cognate antigen. Though many patients experience extraordinary response to checkpoint inhibition, unfortunately the majority of patients do not. Fundamental for a clinical benefit of this therapy is a pre-existing immune response against the tumor. It is believed that a lack of effect can be attributed to a non-existing recognition of cancer cells by the immune system.

2. *Ultimovacs has developed a universal cancer vaccine that may play a major role in treatment and possibly prevention of cancer across most types of cancer*

Ultimovacs aims to increase the pool of immune cells able to recognize and engage the cancer cells, thereby creating an inflammatory response ultimately leading to death of the tumor. To achieve this goal, we have developed a vaccine consisting of a known tumor-associated antigen, found to be almost universal to all cancer types. By combining our vaccine with a checkpoint inhibitor, we aim to mount a strong immune response against the tumor while simultaneously eliminating the tumors ability to diminish this response, opening for a possible synergistic relationship between these two treatment modalities.

We believe that our vaccine is well positioned to play a major role in future cancer treatment and possibly prevention. Manipulating the immune system to kill cancer cells and clear tumors will save many lives that earlier cancer treatments could not. It is important to remember that no matter how you manipulate the immune system, the effect of the treatment comes from cells in the immune system that are able to recognize and kill the cancer cells. The vast majority of immunotherapy treatments used today rely on these cells being made spontaneously by the immune system. These treatments make it possible for immune cells to do their job by removing some of the obstacles preventing them from attacking the tumor. If patients do not have enough

cells with the capability to kill the cancer cells, the present therapies simply cannot work. Our vaccine can supply these patients with activated cells able to fire up the immune system against the tumor. How do we know this? We know this because we have documented it in the trials we already have done. This, and the changes we see in some patients, is the very reason why we think it is right to take the next step and document the effect of the vaccine in one of more randomized trials.

If we can document a clinical benefit in one cancer type, we will over time seek to document the effect of the universal cancer vaccine in many different types of cancer and in different stages of disease, right up to where we possibly can prevent cancer from occurring in persons with very high risk. This will also be the future for cancer treatments in general. New technology will make it possible to diagnose cancer much earlier than we do now. The biology will be very different in a small, newly established tumor as compared to an older tumor with metastasis (i.e disease spread to other organs). What they will have in common is the possibility to be killed by an activated immune system. It is likely that a small “inexperienced” tumor is easier to eliminate than the tumors we are treating today. The best might be to make the immune system fit and ready to attack if the cancer appears. We believe that our vaccine can do that.

In 2018 we have taken one more step on this way, where a phase I trial study in malignant melanoma in which UV1 is given in combination with the PD-1 checkpoint inhibitor pembrolizumab was commenced. The acquisition of Tet Pharma AB (renamed to Ultimovacs AB) also strengthens our team as well as adding new technology to our R&D pipeline. I would like to convey sincere appreciation to our hard-working team and our gratitude for the continued support of our shareholders and board. We all are looking forward to a new exciting year in 2019.

Øyvind Kongstun Arnesen, CEO

DIRECTORS REPORT

Overview of 2018

2018 was an eventful year with increased activities and new projects. Preparations for and the commencement of the phase I trial study in malignant melanoma, in which UV1 is given in combination with the PD-1 checkpoint inhibitor pembrolizumab, was a milestone for the development of our core product UV1. The planning of a larger randomized study to document the clinical effect of UV1 was a main focus in 2018 and will be so also in the coming year.

The organization also became a group of two legal entities during the year, with the acquisition of the Swedish company Tet Pharma AB, renamed Ultimovacs AB, including two employees. This acquisition provides technology that may enable the development of a new version of Ultimovacs' cancer vaccine. A new vaccine solution may strengthen the effect of the vaccine, simplify administration of the vaccine in use with patients, and potentially enhance the chances of using the vaccine in very early phases of cancer treatment, possibly up to prevention.

Six new employees, of which two in the acquisition, joined Ultimovacs during the year in order for us to execute projects and processes in the years to come.

- **Patient enrollment:** In July 2018, the first patient was enrolled in the US based phase I trial study in malignant melanoma. In this study UV1 is given in combination with the PD-1 checkpoint inhibitor pembrolizumab. Following treatment of the first three patients, the trial opened for full enrolment as of 18 February 2019 (please see the section 'Subsequent events' below for further information). A total of 20 patients are planned to be enrolled. Pembrolizumab is a therapy improving immune cells' ability to attack tumor cells.
- **Site enrollment:** The following sites were opened for future patient enrollment in the period April – November 2018:
    - Huntsman Cancer Institute (HCI), Salt Lake City
    - St. Luke's University Health Network, Bethlehem
    - The University of Iowa Hospitals and Clinics, Iowa City
    - John Wayne Cancer Institute, Santa Monica
- **Tet Pharma AB acquisition:** On 11 July 2018, Ultimovacs AS completed the acquisition of TET Pharma AB, the former immunotherapy technology business of Immuneed AB. The acquired business is now established as a fully-owned Swedish subsidiary of Ultimovacs (renamed to Ultimovacs AB), based in Uppsala, Sweden. Based on an exclusive license agreement with the Leiden University Medical Centre, Immuneed has developed the proprietary and patent-protected Tetanus-Epitope Targeting-platform (the 'TET-platform') that Ultimovacs believes can attractively complement the vaccine technology of Ultimovacs. Ultimovacs considers the TET-platform technology as a promising and general strategy to strengthen and increase T cell responses against cancer peptides. In parallel with the continued development of the therapeutic cancer vaccine UV1, Ultimovacs will therefore pursue the development of a new first-in-class cancer vaccine solution based on the proprietary TET platform technology.
- **The observation time** in all three completed studies have been extended to 10 years for overall survival. The follow-up activities are organised in a new trial across the three patient groups.
- **Survival data:** 3-year survival data are now available for all patients still alive in the phase I malignant melanoma study conducted at the Oslo University Hospital where UV1 was combined with the CTLA4

checkpoint inhibitor Ipilimumab. 67% of patients were alive after 3 years, and median progression free survival (mPFS) was reached at 6.5 months.

- **Funding preparations:** Ultimovacs is preparing funding of the activities needed to further document the clinical effect of UV1 and the pre-clinical development of a new vaccine solution. Ultimovacs will during 2019 carefully consider whether an IPO on the Oslo Stock Exchange or continued private funding represents the best model for financing Ultimovacs during the next development phase.

Financial overview 2018

Financial results

Ultimovacs does not yet generate revenues as the Company is in a research and development phase.

Payroll and payroll related expenses increased in 2018 (MNOK 27.1) compared to 2017 (MNOK 18.2) primarily as a result of a higher headcount (3.2 additional FTEs), of which 1 FTE (2 employees) in the Swedish company, as well as an increase in the share-based compensation scheme liability of MNOK 5.4 to a total liability of MNOK 10.2 at year end 2018. In comparison, the increase of this liability was MNOK 3.2 in 2017.

Other operating expenses amounted to MNOK 28.8 in 2018 compared to MNOK 14.7 in 2017, primarily a result of increased R&D activity in 2018 as well as preparations for a possible IPO (i.e. listing of the company). MNOK 17.0 of the other operating expense was directly related to external R&D expenses, compared to MNOK 12.8 in 2017. During the last year, significant resources have also been spent on preparing the next financing round. Several corporate, legal and financial advisors have been involved in the process in 2018.

The Company has in 2018 received or was entitled to receive government grants totaling MNOK 5.8, which in the statement of profit and loss and other comprehensive income has been treated as a reduction of payroll and payroll related expenses and other opening income. Grants received or entitled to be received the following year was MNOK 5.8 in 2017.

Loss for the period amounted to MNOK 55.3 in 2018, compared to MNOK 32.8 in 2017. The Board of Directors propose that the loss is transferred to accumulated loss.

NOK (000)	FY18	FY17
Total revenues	-	-
Total operating expenses	56 522	33 391
Operating profit (loss)	**(56 522)**	**(33 391)**
Profit (loss) for the peiod	**(55 280)**	**(32 830)**
Diluted and undiluted earnings / (loss) per share (NOK)	(89)	(62)
Net increase/(decrease) in cash and cash equivalents	(54 240)	96 806
Cash and cash equivalents at end of period	**115 540**	**169 808**

Financial position

Total assets per 31 December 2018 was MNOK 189.9, an increase of MNOK 11.0 from 31 December 2017 as result of the purchase of TET Pharma AB with newly issued shares, partly offset by the operating loss. Total liabilities as of 31 December 2018 amounted to MNOK 30.0, and total equity equaled MNOK 159.9.

Cash flow

Total net decrease in cash and cash equivalents in 2018 was MNOK 54.2, a result of operating activities and the purchase of TET Pharma AB for MNOK 4.6 in cash in addition to shares in Ultimovacs AS. In 2017, the increase in cash and cash equivalents was MNOK 96.8 (a decrease of MNOK 26.7 if excluding net cash flow from the 2017 share issue).

Net cash outflow from operating activities for the year ended 31 December 2018 was NOK 50.4 million compared to NOK 27.2 million for the year ended 31 December 2017, an increase of NOK 23.2 million due to higher headcount and increased R&D activity. The increased R&D activity relates to the commencement of the phase I-study in metastatic malignant melanoma in 2018 including 20 patients as well as the planning of a larger randomized study and the proof of concept study in the same indication in 2019 involving a higher number of patients. These studies also require additional employees for planning and administration as well as additional external costs related to planning, production and administration, which reflects the increase in employee payroll described above.

Net cash outflow from investing activities for the twelve months ended 31 December 2018 was NOK 3.9 million, of which NOK 4.6 million relate to the acquisition of Ultimovacs AB, NOK 0.5 million to purchase of lab and office equipment, as well as a cash inflow of NOK 1.2 million in interest received. Net cash inflow from investing activities for the year ended 31 December 2017 was NOK 0.5 million, comprising interest received from bank deposits.

There was no cash flow related to financing activities for the year ended 31 December 2018. Net cash inflow from financing activities for the year ended 31 December 2017 was NOK 123.5 million, fully attributable to net proceeds from private placements from new and existing shareholders.

Total cash and cash equivalents per 31 December 2018 amount to MNOK 115.5.

Organization

As per 31 December 2018, the Group had 16 employees, 14 in Ultimovacs AS in Oslo, and 2 in Ultimovacs AB in Uppsala, Sweden. Of the 16 employees, four were part time employees with a 50% position. 10 employees were male and 6 were female. A total of 11.8 full time employee equivalents were employed in the financial year of 2018. Absence due to sickness was 0.1% in 2018, down from 2.8% in 2017.

Ultimovacs does not accept discrimination against employees, shareholders, board members and suppliers on the basis of ethnicity, nationality, age, gender or religion. Salary and terms of employment for comparable positions, as well as recruitment, promotion and development of the employees are the same for women and men.

No work-related accidents or accidents were recorded in Ultimovacs in 2018, and the company does not pollute or harm the environment.

Risks and uncertainties

Ultimovacs is an early-stage research and development biotech/pharmaceutical company. Thus, Ultimovacs is exposed to the same generic risks as other companies within this sector. These risks include, but are not limited to, the following factors:

- The Company has not generated any revenues historically and is not expected to do so in the short term.
- Research and development up to approved registration is subject to risk and is a capital-intensive process. The R&D processes may be delayed and/or incur higher costs than expected. Competing pharmaceuticals can be more competitive and/or reach the market faster than Ultimovacs.
- The operations may be impacted negatively by changes in laws and regulations. In addition, the Company is dependent on intellectual property rights.

The primary financial risks are foreign exchange risks and financing risks. The company is affected by foreign exchange risk as the research and development costs are mainly paid in USD and EUR. In addition, the Company has investment in foreign operations, whose net assets are exposed to currency translation risk. The Company is dependent on additional funding/financing until sufficient revenues are generated. Ultimovacs' financial risk exposures are described in more detail in note 17 in this financial statement.

Outlook

Ultimovacs' vaccine technology is universal in the sense that it may have effect across most types of cancer and may be used in combination with different types of cancer treatment. The cancer vaccine is expected to generate immune responses across major population sub-groups (i.e. be independent of HLA type). The vaccine is simple to manufacture and requires no sophisticated infrastructure in use. If the further clinical development/testing of Ultimovacs' cancer vaccine demonstrates that the vaccine gives clinical benefit to cancer patients, the potential will consequently be very high.

In the phase I study in malignant melanoma where UV1 is combined with pembrolizumab (PD1 inhibitor), Ultimovacs aims to have all 20 patients recruited by Q2 2019, and all safety data available shortly thereafter.

Ultimovacs intends to do one or more randomized trials to document the clinical effect of UV1, most likely in combination with checkpoint inhibitor(s). The experimental objective across all Ultimovacs studies is to establish a relevant biobank of patient material for characterization of the immunological response and changes in the tumor milieu promoted by UV1 vaccination.

Ultimovacs actively seeks to broaden its pipeline of drug/technology candidates. The R&D activities focus on development of a new first-in-class cancer vaccine solution building on technology of Ultimovacs and the acquired TET-platform, and on development of new molecules and technologies based on biobank material from the ongoing and planned clinical studies conducted with UV1.

The Company will also continue to work with technology and product development, as well as optimization and documentation of the production processes for UV1.

Going concern

Ultimovacs does not yet generate any revenues and is dependent on new share issues in order to continue its research and development operations. A share issue was completed in 2017, and another one is planned to be completed in 2019 with participation from both existing and new shareholders.

The financial statements are prepared on a going concern basis.

Subsequent events

A Safety Review Committee (SCR) meeting was held on the 15 February 2019, as part of the staggered enrolment plan for the phase I trial study in malignant melanoma, in which UV1 is given in combination with the PD-1 checkpoint inhibitor pembrolizumab. As patient number 2 and 3 have not experienced any drug-related adverse events during their first 5 treatments with study medication, the SRC concluded that it is safe to let the study proceed with full enrollment. All sites may therefore start screening patients for the study, where 20 patients are planned to be enrolled in total. As of 21 March 2019, 7 patients were enrolled in the trial.

No other significant subsequent events have occurred after 31 December 2018.

The Board of Directors and CEO of Ultimovacs AS

Oslo, 21 March 2019

Jonas Einarsson
Chairman of the Board

Bjørn Rune Gjelsten
Board member

Ole Kristian Hjelstuen
Board member

Henrik Schüssler
Board member

Ketil Fjerdingen
Board member

Leiv Askvig
Board member

Kristin L. A. Wilhelmsen
Board member

Øyvind Kongstun Arnesen
CEO

Responsibility statement from the Board of Directors and CEO

We confirm that the financial statements for the period 1 January to 31 December 2018, to the best of our knowledge, have been prepared in accordance with IFRS and that the accounts give a true and fair view of the assets, liabilities, financial position and profit or loss, and that the information in the report includes a fair review of the development, performance and position of the Company and the Group, together with a description of the principal risks and uncertainties facing the company and the group.

The Board of Directors and CEO of Ultimovacs AS

Oslo, 21 March 2019

Jonas Einarsson
Chairman of the Board

Bjørn Rune Gjelsten
Board member

Ole Kristian Hjelstuen
Board member

Henrik Schüssler
Board member

Ketil Fjerdingen
Board member

Leiv Askvig
Board member

Kristin L. A. Wilhelmsen
Board member

Øyvind Kongstun Arnesen
CEO

Consolidated statement of profit and loss and other comprehensive income

(NOK 1000) except per share data	Notes	2018	2017
Other operating income		-	-
Total revenues		**-**	**-**
Payroll and payroll related expenses	3, 4, 15	-27 078	-18 158
Depreciation and amortisation	9	-601	-534
Other operating expenses	3, 5	-28 844	-14 700
Total operating expenses		**-56 522**	**-33 391**
Operating profit (loss)		**-56 522**	**-33 391**
Financial income	6	1 376	631
Financial expenses	6	-134	-70
Net financial items		**1 243**	**561**
Profit (loss) before tax		**-55 280**	**-32 830**
Income tax expense	7	-	-
Profit (loss) for the year		**-55 280**	**-32 830**
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		2 888	
Other comprehensive income (loss) for the year		-	-
Total comprehensive income (loss) for the year		**-52 392**	**-32 830**
Basic and diluted earnings (loss) per share (NOK per share)	8	-88,7	-62,3

Consolidated statement of financial position

(NOK 1000)	Notes	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Goodwill	9, 18	10 981	-
Licenses	9, 18	53 307	-
Patents	9	3 111	3 378
Property, plant and equipment	9	736	558
Total non-current assets		**68 136**	**3 935**
Current assets			
Prepayments		475	421
Other receivables	3, 10	5 709	4 661
Cash and cash equivalents	11	115 540	169 808
Total current assets		**121 724**	**174 890**
TOTAL ASSETS		**189 860**	**178 825**
EQUITY AND LIABILITIES			
Equity			
Share capital		641	606
Share premium		314 256	268 475
Total paid-in equity		**314 897**	**269 082**
Accumulated losses		-157 881	-102 601
Translation differences		2 888	-
TOTAL EQUITY	12	**159 904**	**166 480**
Deferred tax	18	10 981	-
Total non-current liabilities		**10 981**	**-**
Current liabilities			
Accounts payable		2 978	3 033
Other current liabilities	15, 16	15 996	9 312
Total current liabilities		**18 975**	**12 345**
TOTAL LIABILITIES		**29 956**	**12 345**
TOTAL EQUITY AND LIABILITIES		**189 860**	**178 825**

Board of Directors and CEO of Ultimovacs AS
Oslo, 21 March 2019

Jonas Einarsson
Chairman of the Board

Bjørn Rune Gjelsten
Board member

Ole Kristian Hjelstuen
Board member

Henrik Schüssler
Board member

Ketil Fjerdingen
Board member

Leiv Askvig
Board member

Kristin L. A. Wilhelmsen
Board member

Øyvind Kongstun Arnesen
CEO

Consolidated statement of cash flows

(NOK 1000)	Notes	2018	2017
Cash flows from operating activities			
Profit (loss) before tax		**-55 280**	**-32 830**
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and amortisation	9	601	534
Interest received incl. investing activities	6	-1 247	-564
Net foreign exchange differences	6	10	2
Working capital adjustment:			
Changes in prepayments and other receivables	10	-1 102	95
Changes in payables and other current liabilities	16	6 630	5 538
Net cash flows from operating activities		**-50 389**	**-27 225**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	-513	-21
Acquisition of subsidiary		-4 586	-
Interest received	6	1 247	564
Net cash flow from investing activities		**-3 851**	**542**
Cash flow from financing activities			
Proceeds from issuance of equity	12	-	125 919
Share issue cost	12	-	-2 430
Net cash flow from financing activities		**-**	**123 489**
Net change in cash and cash equivalents	11	-54 240	96 806
Effect of change in exchange rate	6	-28	-2
Cash and cash equivalents, beginning of period	11	169 808	73 004
Cash and cash equivalents, end of period		**115 540**	**169 808**

Consolidated statement of changes in equity

(NOK 1000)	Notes	Share capital	Share premium	Total paid in capital	Accumulated losses	Translation differences	Total equity
Balance as of 1 January 2017		**511**	**145 081**	**145 592**	**-69 771**		**75 821**
Profit (loss) for the year				-	-32 830		**-32 830**
Other comprehensive income (loss)				-			-
Translation differences				-			-
Issue of share capital	12	95	125 824	**125 919**			**125 919**
Share-issue costs	12		-2 430	**-2 430**			**-2 430**
Balance as of 31 December 2017		**606**	**268 475**	**269 082**	**-102 601**	-	**166 480**
Profit (loss) for the year				-	-55 280		**-55 280**
Other comprehensive income (loss)				-			-
Translation differences				-		2 888	**2 888**
Issue of share capital	12	35	45 781	**45 815**			**45 815**
Share-issue costs				-			-
Balance as of 31 December 2018		**641**	**314 256**	**314 897**	**-157 881**	**2 888**	**159 904**

Note 1 : General information

Ultimovacs AS (the Company or Ultimovacs) and its subsidiaries (jointly the Group) is a pharmaceutical company developing novel immunotherapies against cancer. The lead product candidate is UV1, a peptide-based vaccine inducing a specific T cell response against the universal cancer antigen telomerase.

UV1 is being developed as a therapeutic cancer vaccine which may serve as a platform for use in combination with other immuno-oncology drugs which require an ongoing T cell response for their mode of action. The Group is performing a broad clinical development program with clinical trials in Europe and the USA.

Ultimovacs AS was established in 2011. The company and its proprietary technology is based on pre-clinical and clinical research on immunotherapies conducted at the Oslo University Hospital. The Company is privately held, mainly by Norwegian private investors/family offices.

Ultimovacs is headquartered at the Oslo Cancer Cluster Innovation Park in Oslo, Norway, and also has an office in Uppsala, Sweden. Ultimovacs is an active member of Oslo Cancer Cluster.

The financial statements were approved by the Board of Directors on 21 March 2019.

Note 2 : Accounting principles

I. Basis for preparation

The financial statements for the Group have been prepared in accordance with IFRS as adopted by the EU (IFRS). The financial statements are presented in NOK (Norwegian kroner) which is also the parent companys's functional currency.

The financial statements have been prepared on the historical cost basis. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in applying the Group's accounting policies.

II. Going concern

The financial statements for 2018 have been prepared under the going concern assumption, pursuant to Section 3.3a of the Norwegian Accounting Act.

III. Accounting principles

i. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with maturity of three months or less, which are subject to an insignificant risk of changes in value.

ii. Cash Flow statement

The statement of cash flows is compiled using the indirect method. The statement of cash flows distinguishes between cash flows from operating, investing and financing activities. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, cash pool balances and bank overdrafts. Cash flows in foreign currencies are translated at the rate of the transaction date. Interest paid and received is included under cash flow from investing activities. Cash flows arising from the acquisition or disposal of financial interests (subsidiaries and participating interests) are recognised as cash flows from investing activities, taking into account any cash and cash equivalents in these interests. Dividends paid out are recognised as cash flows from financing activities; dividends received are recognised as cash flows from investing activities. Cash flows from share issues are recognised as cash flows from financing activities.

iii. Financial instruments

The Group has adopted IFRS 9 which was effective from 1 January 2018. There has been no impact on the balance sheet and equity when applying the requirements of IFRS 9. The adoption of IFRS 9 has changed the Group’s accounting for impairment losses for finacial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and other comprehensive income, loans and borrowings, or payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group’s financial liabilities include trade and other payables.

- Subsequent measurement

The measurement of financial liabilities depends on their classification.

- Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

iv. Current vs non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- o Expected to be realised or intended to sold or consumed in the normal operating cycle
- o Held primarily for the purpose of trading
- o Expected to be realised within twelve months after the reporting period, or
- o 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:

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

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

v. Foreign currencies

The Group's presentation currency is NOK. This is also the parent company's functional currency. The statement of financial position figures of entities with different functional currency are translated at the exchange rate prevailing at the end of th reporting period for balance sheet items, and the exchange rate at the date of the transaction for profit and loss items. The monthly average exchange rates are used as an approximation of the transaction exchange rate. Exchange differences are recognised in other comprehensive income (OCI).

Transactions in foreign currencies are initially recorded by the Group in its respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

vi. Impairment:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's (cash-generating unit) fair value less costs of disposal and its value in use. It 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group has goodwill created by deferred tax which is tested for impairment annually.

vii. Business combination and consolidation

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. An impairment loss is recognized in the income statement when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

viii. Contingent liabilities

Contingent liabilities are not recognised in the statement of financial position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability represent a liability in respect of which the amount cannot be reliably measured. Contingent liabilities are disclosed if the possibility of an outflow of economic benefit to settle the obligation is more than remote.

ix. Interest income

Interest income is recognised using the effective interest method.

x. Earnings per share

The basic earnings per share are calculated as the ratio of the total comprehensive income (loss) for the year divided by the weighted average number of ordinary shares outstanding. When calculating the diluted earnings per share, the profit that is attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding are adjusted for all the dilution effects relating to share options.

No dilutive effect has been recognised as potential ordinary shares only shall be treated as dilutive if their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the Group is currently loss-making, an increase in the average number of shares would have anti-dilutive effects. As the Group has currently no issuable potential ordinary shares and basic and diluted earnings per share is the same.

xi. Government grants

Government grants are recognised 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 recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Government grants have been recognised in the statement of profit or loss and other comprehensive income as a reduction of personnel- and other operating expenses.

Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. If the Group receives non-monetary grants, the asset and the grant are recorded gross 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.

xii. Leases

Leases are classified either as operating or finance leases based on the actual content of the agreements.

- **Finance leases:** leases of assets in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

- **Operating leases:** Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the statement of profit and loss and other comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

xiii. Share-based payments

Employees in the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions) or granted share appreciation rights, which can be settled in cash (cash-settled transactions).
The determination of whether the arrangement is cash or equity settled is based on a careful evaluation of the terms of the agreement and also the Group's ability to settle in shares and the promise and intent of settlement in cash.

- **Cash-settled transactions:** A liability is recognised 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 recognised in employee benefits 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 Black Scholes model.

- Equity-settled transactions

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

xiv. Intangible assets

Intangible assets are stated at their historical cost and amortised on a straight-line basis over their expected useful lives, which usually varies from 3 to 10 years and up to 20 years for patents. An adjustment is made for any impairment. Intangible items acquired must be recognised as assets separately from goodwill if they meet the definition of an asset, are either separable or arise from contractual or other legal rights, and their fair value can be measured reliably.
All research and development spending is expensed each year in the period in which it is incurred. Development costs will be capitalised once the "asset" being developed has met requirements of technical and commercial feasibility to signal that the intangible investment is likely to either be brought to market or sold. Due to uncertainties regarding award of patents, regulations, ongoing clinical trials etc., the asset recognition criteria of IAS 38 "Intangible Assets" are not met.

xv. Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and any impairment losses. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit and loss and other comprehensive income as incurred.

xvi. Tax assets

The income tax expense includes tax payable and changes in deferred tax. Income tax on balances recognised in other comprehensive income is recognised as other comprehensive income, and tax on balances related to equity transactions is recognised in equity. The tax payable for the period is calculated according to the tax rates and regulations ruling at the end of the reporting period.

Deferred tax is calculated on temporary differences between book and tax values of assets and liabilities and the tax effects of losses to carry forward in the consolidated financial statements at the reporting date. Deferred tax liabilities and assets are calculated according to the tax rates and regulations ruling at the end of the reporting period and at nominal amounts. Deferred tax liabilities and assets are recognised net when the Group has a legal right to net assets and liabilities.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available which the loss carry forward or other deductible temporary differences can be utilised. Currently no deferred tax assets are recognised in the statement of financial position as the utilisation is uncertain.

xvii. Segments

The Group is still in a R&D phase, and currently does not generate revenues. For management purposes, the Group is organised as one business unit and the internal reporting is structured in accordance with this. All non-current assets are located at the Group's main office in Oslo, Norway.

IV. Estimates and judgements

In order to prepare the financial statements, management and the Board may have to make various judgments and estimates that can affect the amounts recognised in the financial statements for assets, liabilities and expenses. Uncertainties about these adjustments and estimates could result in outcomes that require adjustment to the carrying amount of assets or liabilities affected in future periods. Assumptions and estimates were based on available information at the time of the preparation of the financial statements. Existing circumstances and assumptions about future developments, however, may change and such changes are reflected when they occur.

i. Share-based payments

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 share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a Black Scholes model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

ii. Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. The Group considers that a deferred tax asset related to accumulated tax losses cannot be recognised in the statement of financial position until the product under development has been approved for marketing by the relevant authorities. Significant management judgement is required to determine the amount, if any, of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

V. Standards and interpretations issued but not yet adopted

The standards that are issued, but not yet effective, up to the date of the issuance of the financial statements that are relevant to the Group's current activities are disclosed in more detail below.

i. IFRS 16 Leases

IFRS 16 was issued in January 2016 and is effective for annual periods beginning 1 January 2019. The Group has analysed the potential impact of implementing IFRS 16 Leases. The standard will require the Group to recognise a liability to make lease payment (lease liability) and an asset representing the right to use the underlying assets during the lease term (the right-of-use asset) and separately recognise the interest expense on the lease liability and the depreciation expense of the right-to-use asset. The Group has chosen to apply the modified retrospective approach, and measure the lease liability at the date of initial application at the present value of the remaining lease payments based on the lessee's incremental borrowing rate over the remaining lease term. The right-of-use asset recognised on transition will be measured at an amount equal to the lease liability (less any accruals or prepayments).

The Group does currently not expect that the new standard will significantly impact the Group's Statement of profit and loss and other comprehensive income or statement of financial position, but will

Note 3 - Government grants

The following government grants have been recognised in the statement of profit and loss:

(NOK 1000)	2018	2017
Skattefunn	4 946	4 182
BIA grants from The Research Council of Norway (Forskningsrådet)	496	1 243
Eurostars	285	0
Innovation Norway (Innovasjon Norge)	60	400
Total grants	**5 787**	**5 825**

Government grants have been recognised in the statement of profit and loss and other comprehensive income as a reduction for the related expenses with the following amounts:

(NOK 1000)	2018	2017
Payroll and related expenses	1 860	1 613
Other operating expenses	3 927	4 212
Total costs deducted	**5 787**	**5 825**

Grants receivable as per 31 December are detailed as follows:

(NOK 1000)	2018	2017
Skattefunn	4 946	4 182
Eurostars	285	0
BIA grants from The Research Council of Norway (Forskningsrådet)	0	47
Total receivables from government grants	**5 231**	**4 229**

Skattefunn:
The Skattefunn R&D tax incentive scheme is a government program designed to stimulate research and development in Norwegian. Grants from Skattefunn were received for four different projects in 2017, of which three expired during the year. Two more projects were applied for and approved during 2018. As of 31 December 2018, Skattefunn-grants for the following projects have been approved (*project period*):
- Combination therapy with a hTERT vaccine and anti-PD1 therapy in melanoma (2017 to 2020)
- Combination therapy against advanced melanoma (2018 - 2021)
- Long term effects of immuntherapy against cancer (2018 - 2021)

The Research Council of Norway (Forskningsrådet):
Ultimovacs was awarded BIA grants from the Research Council of Norway for the project "A novel immunotherapy against cancer" in the period February 2014 to its completion in June 2018.

Innovation Norway (Innovasjon Norge):
Innovation Norway is a state-owned company and a national development bank with the goal to promote innovation and development of Norwegian enterprises and industry. Ultimovacs was awarded MNOK 0.4 for the project "Re-targeting T-cells against cancer – development of T-cell receptors directed against telomerase" in 2017. In 2017 and 2018, Ultimovacs was part of a project with PCI Biotech AS called "Exploration of possible synergies between PCI Biotech's firmaVACC technology and Ultimovac's UV1 cancer vaccine". The project was completed in 2018.

Eurostars:
Eurostars is a joint programme between EUREKA and the European Commission, co-funded from the national budgets of 36 Eurostars Participating States and Partner Countries and by the European Union through Horizon 2020. Eurostars supports international innovative projects led by research and development- performing small- and medium-sized enterprises, and is adminstered by Forskningsrådet in Norway. Ultimovacs has been awared financial support for the project "Validation of a novel immune response capturing platform for immunotherapy development and monitoring" from 2018 to 2021.

All conditions and contingencies attached to the grants recognised in the accounts have been fulfilled.

Note 4: Salary and personnel expenses and management remuneration

(NOK 1000)	2018	2017
Salaries and holiday pay	18 740	13 364
Duties payable	2 919	2 139
Share-based payments	5 416	3 199
Pension costs defined contribution plans	1 448	899
Other personnel costs	415	170
Less government grants	-1 860	-1 613
Total payroll and payroll related expenses	**27 078**	**18 158**
The number of FTEs employed during the financial year:	11,8	8,5
Number of employees at end of year	16	11

Management remuneration

The Group's Management team was established during 2017 and consists of the Company's CEO, CFO and the managers of each department. There were six employees (incl. CEO) in the management team by the end of 2017. In 2018, two new department managers were added to the management team bringing the total number of management team members to eight. Seven in the team were employed the whole year of 2018, while one was employed from July 2018. For 2017, five of the management team members were employed the whole year and two members were employed from August 2017.

Management remuneration 2018

(NOK 1000)	Salary / Board remuneration	Benefits in kind	Pension cost	Total remuneration
Management				
Øyvind Arnesen (CEO)	2 410	198	91	**2 699**
Management team (excl CEO)	9 037	715	632	**10 385**
Members of the Board				
Ketil Fjerdingen (Chairman of the Board)	275			**275**
Bjørn Rune Gjelsten (Board member)	138			**138**
Jonas Einarsson (Board member)	138			**138**
Leiv Askvig (Board member)	138			**138**
Henrik Schüssler (Board member)	138			**138**
Ole Kristian Hjelstuen (Board member)	138			**138**
Kristin Wilhelmsen (Board member)	138			**138**
Total remuneration	**12 547**	**914**	**723**	**14 184**

Management remuneration 2017

(NOK 1000)	Salary / Board remuneration	Benefits in kind	Pension cost	Total remuneration
Management				
Øyvind Arnesen (CEO)	2 330	194	88	**2 611**
Management team (excl CEO)	6 807	694	406	**7 908**
Members of the Board				
Ketil Fjerdingen (Chairman of the Board)	250			**250**
Bjørn Rune Gjelsten (Board member)	125			**125**
Jonas Einarsson (Board member)	125			**125**
Leiv Askvig (Board member)	125			**125**
Henrik Schüssler (Board member)	125			**125**
Ole Kristian Hjelstuen (Board member)	125			**125**
Kristin Wilhelmsen (Board member)	52			**52**
Total remuneration	**10 064**	**888**	**494**	**11 446**

A total of 17.306 synthetic shares (described in the share-based payment note 15) have been allocated to employees in the Group. 3,000 synthetic shares were allocated to the CEO in 2016, and 9,400 synthetic shares to the rest of the management team during 2016 and 2017.

The Management takes part in the general pension scheme described below.

The CEO is entitled to 12 months' severance pay as compensation for waiving his rights to employment protection ensuing from Chapter 15 of the Working Environment Act.

In the event of either an IPO, a minimum of 67% of the Group's shares being acquired, or a merger/demerger plan being signed, the CFO, Hans Vassgård Eid, will be entitled to receive severance pay upon termination of his employment with the Group equal to 9 months' base salary in addition to payment of his salary during his 3 month notice period. There are no similar arrangements for any of the other employees of the Group with respect to termination of their employment.

There were no outstanding loans or guarantees made to the Board of Directors or the Management Team as of 31 December 2018 or as of 31 December 2017.

Pensions

Ultimovacs AS is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company has a defined contribution pension scheme which complies with the Act on Mandatory company pensions.

As at 31 December 2018, all fourteen of the Ultimovacs AS's employees were covered by the pension scheme. A similar pension scheme is in place for the two employees in Ultimovacs AB in Sweden.

Other than the general pension schemes described above, there are no specific pension arrangements made for any member of the Management team.

The Group has no pension or retirement benefits for its Board Members.

The pension contributions recognised as expenses equalled TNOK 899 and TNOK 1,448 in 2017 and 2018 respectively.

Note 5 - Other operating expenses

The Group is in a development phase, and the majority of the Group's costs are related to R&D. These costs are expensed in the statement of profit and loss and other comprehensive income.

Other operating expenses

(NOK 1000)	2018	2017
External R&D expenses	16 957	12 829
Clinical studies	7 876	8 013
Manufacturing costs	6 793	3 691
Other R&D expenses	2 289	1 125
Rent, office and IT	2 729	1 856
Patent related expenses	2 444	1 240
Accounting, audit, legal, consulting	6 641	397
Other operating expenses	4 000	2 589
Less government grants	-3 927	-4 212
Total operating expenses	**28 844**	**14 700**

Specification auditor's fee

(NOK 1000)	2018	2017
Statutory audit	173	45
Audit related services	135	0
Tax related services	38	0
Other	433	0
Total	**780**	**45**

VAT is not included in the fees specified above.

Total expenses related to R&D, including other operating expenses, payroll and payroll related expenses, less government grants, amounted to MNOK 20.1 in 2017 and MNOK 31.2 in 2018.

Note 6: Financial items

Financial income

(NOK 1000)	2018	2017
Interest income	1 257	564
Foreign exchange gains	119	67
Total financial income	**1 376**	**631**

Financial expenses

(NOK 1000)	2018	2017
Foreign exchange losses	0	70
Other financial expenses	133	0
Total financial expenses	**134**	**70**

Note 7: Income tax

Income tax expense:

(NOK 1000)	2018	2017
Profit (loss) before tax	-55 280	-32 830
Non-deductible income	54	61
Non-deductible expenses and other items	-2 393	-6 620
Change in temporary differences	5 447	3 253
Basis for tax calculation	**-52 171**	**-36 136**
Tax expense	**0**	**0**

(NOK 1000)	2018	2017
Expected tax expense	12 692	7 879
Non-deductible income	-12	-15
Non-deductible expenses and other items*	550	1 006
Change in deferred tax assets not recognised	-11 433	-7 627
Effect from changes in tax rate	-1 797	-1 243
Income tax expense	**0**	**0**

* The share issue cost of MNOK 2.4 in 2017 was deducted directly from equity, have been deducted from non-deductable expenses as the tax-effect is charged directly to equity.

The corporate tax rate in Norway was 24 per cent in 2017 and 23 per cent in 2018. As of 1 January 2019, the tax rate in Norway was reduced to 22%. The corparate tax rate in Sweden was 22% in 2017 and 2018, and will be reduced to 20.6% as of 2021, which is the basis of the deferred tax calculation for Ultimovacs AB.

Deferred tax assets

(NOK 1000)	2018	2017
Tax losses carried forward	171 860	119 689
Temporary differences - share based payment liability	10 207	4 791
Temporary differences - licenses	-53 307	0
Temporary differences - PP&E	-108	-140
Temporary differences and tax loss carry forward	**128 651**	**124 340**
Deferred tax assets - not recognised in statement of financial position	**40 000**	**28 598**
Deferred tax assets per 31 December	**-10 981**	**0**
	22%/20,6%	23 %

Ultimovacs has not recognised a deferred tax asset in the statement of financial position related to its previous losses, as the Group does not expect taxable income to be generated in the short-term to support the use of the deferred tax asset. Total tax losses carried forward was as per 31 December 2017 MNOK 119.7. Total tax losses carried forward and temporary differences as per 31 December 2018 is MNOK 128.7, of which MNOK 2.2 in Ultimovacs AB.

In relation to purchase price allocation conducted of Ultimovacs AB, acquired in July 2018, all excess value has been allocated to the license agreement which gives access to the Tet-technology. A deferred tax liability of MNOK 10.4 has been calculated on the excess values utilizing the tax rate in Sweden of 20.6%, which is effective from 2021. See note 9 and 18 for more information.

Note 8: Earnings per share

The basic earnings per share (EPS) are calculated as the ratio of the total comprehensive income (loss) for the year divided by the weighted average number of ordinary shares outstanding. As the Group has currently no issuable potential ordinary shares and basic and diluted earnings per share is the same.

Share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognised as potential ordinary shares only shall be treated as dilutive if their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the Group is currently loss-making an increase in the average number of shares would have anti-dilutive effects.

Earnings per share

	2018	2017
Profit (loss) for the year	-55 280	-32 830
Average number of outstanding shares during the year	623 488	526 786
EPS - basic and diluted (NOK per share)	**-88,7**	**-62,3**

Note 9: Non-current assets

Year ended 31 December 2018

(NOK 1000)	Office and lab equipent	Patents	Licenses	Goodwill	Total
Accumulated cost 1 January 2018	1 097	4 000	0	0	5 097
Additions	513	0	53 307	10 981	64 801
Cost at 31 December 2018	**1 610**	**4 000**	**53 307**	**10 981**	**69 898**
Accumulated depreciation and amortisation at 1 January 2018	-539	-622	0	0	-1 162
Depreciations in the year	-334	-267	0	0	-601
Accumulated depreciation and amortisation at 31 December 2018	**-873**	**-889**	**0**	**0**	**-1 762**
Carrying value at 31 December 2018	**736**	**3 111**	**53 307**	**10 981**	**68 136**

Year ended 31 December 2017

(NOK 1000)	Office and lab equipent	Patents	Licenses	Goodwill	Total
Accumulated cost 1 January 2017	1 076	4 000	0	0	5 076
Additions	21	0	0	0	21
Cost at 31 December 2017	**1 097**	**4 000**	**0**	**0**	**5 097**
Accumulated depreciation and amortisation at 1 January 2017	-273	-356	0	0	-628
Depreciations in the year	-267	-267	0	0	-534
Accumulated depreciation and amortisation at 31 December 2017	**-539**	**-622**	**0**	**0**	**-1 162**
Carrying value at 31 December 2017	**558**	**3 378**	**0**	**0**	**3 935**
Economic life	3 years	15 years	indefinite	indefinite	
Depreciation method	linear	linear	impairment	impairment	

Patents

In 2015, the Group acquired all rights to the patents and technology from Inven2 AS, which is one of the Group's main shareholders. The price for the patent was MNOK 4.0 and was based on a purchase option in the license agreement entered into with Inven2 AS in 2011. The purchase of these rights implies that the Group no longer has to pay future royalties to Inven2 AS from potential commercial sales of products related to the patents/patent applications.

According to the purchase agreement, Inven2 AS is entitled to two milestone payments of MNOK 5.0 and MNOK 6.0 at the commencement of a clinical phase IIb and phase III study (or another registration study) respectively.

The patent period spans over 15 years and expires in 2030.

Licenses and goodwill

Beyond the Group's core product, UV1, Ultimovacs is pursuing development of a first-in-class vaccine solution utilizing the proprietary Tetanus-Epitope Targeting-platform (TET-platform). A preclinical program has been initiated in 2018/2019 to take the pharmaceutical product to a decision point for further clinical development, given that the results from the preclinical program are satisfactory. The first significant milestone in terms of impairment testing of the value of the TET technology is the decision point to take the next step for further clinical development, which will be both capital intensive and time consuming. This decision point is expected to be in 2020. If Ultimovacs decides not to go further in the development of the TET technology, it would be difficult to justify the value in the balance-sheet, and a substantial part of the booked value would be subject to impairment.

As the preclinical program has commenced, although still in an early phase, Management assesses that the current value in the statement of financial position reflects the fair value of the intangible assets related to the investment in Ultimovacs AB. The intangible assets were purchased at arm's length from an independent third party 8 months ago (July 2018). Since the acquisition, no significant events have influenced the value. The R&D activities related to these assets are progressing according to plan, but no significant milestones have yet been reached. As a result, no impairment of these intangible assets has been identified as per 31 December 2018.

Note 10: Other receivables

(NOK 1000)	2018	2017
Government grants receivables (ref note 3)	5 231	4 229
VAT receivables	468	431
Other receivables	10	-
Total other receivables	**5 709**	**4 661**

Note 11: Cash and cash equivalents

(NOK 1000)	2018	2017
Employee withholding tax	978	807
Cash at bank	114 562	169 001
Cash and cash equivalents	**115 540**	**169 808**

As of 31 December 2018, cash and cash equivalents amounted to MNOK 115.5, of which MNOK 1.0 (MSEK 1.0) in Ultimovacs AB on a Swedish bank account in SEK.

Note 12: Share capital, shareholder information and dividend

The share capital as at 31 December 2018 comprised 640,816 shares (606,160 as at 31 December 2017), all with a nominal value of NOK 1 per share.

All issued shares have equal voting rights and the right to receive dividend. No dividend has been paid in the period.

In the third quarter 2018, an Extraordinary General meeting approved an increase of the number of shares by 34,656 to new and existing shareholders at a share-price of NOK 1,322.

Changes to share capital

	2018	2017
Ordinary shares at 01 January	606 160	510 911
Issuance of ordinary shares*	34 656	95 249
Ordinary shares at 31 December	**640 816**	**606 160**

* Shares issued in July 2018 and November 2017.

Transaction costs related to the share-issues amounted to MNOK 2.4 and NOK 0 in 2017 and 2018 respectively, and have been recognised against share premium. For computation of earnings per share and diluted earnings per share see Note 8.

The 20 main shareholders at 31 December 2018:

	Number of shares:	Ownership interest:
Gjelsten Holding AS	195 418	30,5 %
Inven2 AS	80 871	12,6 %
Canica AS	55 886	8,7 %
Radiumhospitalets Forskningsstiftelse	55 835	8,7 %
Langøya Invest AS	36 253	5,7 %
Imuneed AB	34 656	5,4 %
Watrium AS	32 837	5,1 %
Sundt AS	24 686	3,9 %
Prieta AS	19 407	3,0 %
CGS Holding AS	14 575	2,3 %
Helene Sundt AS	14 575	2,3 %
Wiarom AS	10 000	1,6 %
Annemvax AS	9 876	1,5 %
Holmetjern Invest AS	9 142	1,4 %
Månebakken AS	7 560	1,2 %
Vitmed AS	6 400	1,0 %
K-TO AS	4 767	0,7 %
Asteroidebakken AS	3 780	0,6 %
Aeolus AS	3 500	0,5 %
Jakob Hatteland Holding AS	2 500	0,4 %
20 Largest shareholders	**622 524**	**97,1 %**
Other shareholders (21)	18 292	2,9 %
Sum	**640 816**	**100,0 %**

Four members of the Management team in the Group holds a total of 12,101 ordinary shares in Ultimovacs AS.

Number of shares held by CEO and the Board of Directors as at 31 December 2018

	Position	Number of shares
Øyvind Arnesen (CEO) - through Vitmed AS	CEO	6 400
Bjørn Rune Gjelsten - through Gjelsten Holding AS	Board member	195 418
Ketil Fjerdingen - through Langøya Invest AS	Board member	36 253
Kristin Wilhelmsen - through Watrium AS *	Board member	32 837
Leiv Askvig - through Basen Kapital AS	Board member	1 900
Total shares held by CEO and Board of Directors		**272 808**

* Kristin Wilhelmsen with closely related parties is a majority shareholder in the family-owned company Watrium AS, which holds 32,837 shares in Ultimovacs AS.

The 20 main shareholders at 31 December 2017:

	Number of shares:	Ownership interest:
Gjelsten Holding AS	195 418	32,2 %
Inven2 AS	90 871	15,0 %
Canica AS	55 886	9,2 %
Radiumhospitalets Forskningsstiftelse	55 835	9,2 %
Langøya Invest AS	36 253	6,0 %
Watrium AS	32 837	5,4 %
Sundt AS	24 686	4,1 %
Prieta AS	19 407	3,2 %
CGS Holding AS	14 575	2,4 %
Helene Sundt AS	14 575	2,4 %
Annemvax AS	9 876	1,6 %
Holmetjern Invest AS	9 142	1,5 %
Månebakken AS	7 560	1,2 %
Vitmed AS	6 400	1,1 %
K-TO AS	4 767	0,8 %
Asteroidebakken AS	3 780	0,6 %
Aeolus AS	3 500	0,6 %
Jakob Hatteland Holding AS	2 500	0,4 %
Løren Holding AS	2 000	0,3 %
Snøtind AS	2 000	0,3 %
20 Largest shareholders	**591 868**	**97,6 %**
Other shareholders (19)	14 292	2,4 %
Sum	**606 160**	**100,0 %**

Three members of the Management team held a total of 11,900 ordinary shares in Ultimovacs AS as at 31 December 2017.

Number of shares held by CEO and the Board of Directors as at 31 December 2017

	Position	Number of shares
Øyvind Arnesen (CEO) - through Vitmed AS	CEO	6 400
Bjørn Rune Gjelsten - through Gjelsten Holding AS	Board member	195 418
Ketil Fjerdingen - through Langøya Invest AS	Board member	36 253
Kristin Wilhelmsen - through Watrium AS *	Board member	32 837
Leiv Askvig - through Basen Kapital AS	Board member	1 900
Total shares held by CEO and Board of Directors		**272 808**

* Kristin Wilhelmsen is a majority shareholder in the family-owned company Watrium AS, which holds 32,837 shares in Ultimovacs AS.

Note 13: Transactions with related parties

In 2015, Ultimovacs acquired the patent rights for the core UV1 technology from Inven2 AS, a major shareholder in the Group. Based on the agreements, Invent2 AS is entitled to receive two potential milestone payments when certain clinical research criteria are reached. Please refer to note 9 for additional information.

As part of ordinary business and at market price, Ultimovacs purchases services related to clinical trials and laboratory services from Oslo University Hospital through Inven2 AS. Invoicing from Inven2 AS amounted to MNOK 2.9 and MNOK 1.2 in 2017 and 2018 respectively (incl. VAT). As per 31 December 2018, Ultimovacs had NOK 0 in outstanding payables to Inven2 AS (MNOK 1.7 at 31 December 2017).

Ultimovacs AS finances running operations and projects in Ultimovacs AB through unconditional shareholder contributions. As at 31 December 2018, Ultimovacs AS has contributed with a total of MNOK 2.5 in unconditional shareholder contributions to Ultimovacs AB.

Note 14: Leases and commitments

The future minimum rents related to non-cancellable leases for premises fall due as follows:

(NOK 1000)	2018	2017
Within 1 year	0	0,4
1 to 5 years	3,8	0
After 5 years	0	0
Sum	**3,8**	**0,4**

The Group has not entered into any finance lease arrangements. The only significant agreement classified as operating lease is the rental agreement for office and lab premises in Oslo. The rental agreement was renewed with effect from 1 February 2018 for a 5 year period. The implementation effect as per 1 January 2019 is estimated to be MNOK 3.8, based on net present value of future minimum rents related to non-cancellable leases for these premise. The amount is to be capitalized as a liability and asset in the balance sheet as per 1 January 2019.

The effects in the statement of profit and loss and other comprehensive income would have been immaterial, as depreciation and interest cost would have been approximately the same amount as the total rental costs recognized in FY18. IFRS 16 is effective for annual periods beginning 1 January 2019.

Total expenses related to the rental agreements amounted to MNOK 1.0 in 2018 and MNOK 1.0 in 2017.

Note 15: Share based payment

At the Annual General Meeting in April 2016 the Board was authorized to introduce a new incentive scheme for employees (Synthetic share plan), based on the value development of the Group's shares. In total twelve employees have been granted synthetic shares, which are not physically held by the owner. The employees are entitled, upon exercise, to receive a cash amount corresponding to the increase in the value of the underlying share in the period from the option was assigned to the exercise, and holiday pay on the same amount. According to the agreement, the Board of Directors of the Group may, at its discretion and subject to applicable authorisations from the general meeting, elect to settle any bonus-amounts payable in shares rather than cash payments. The Employee will then be required to subscribe for such new ordinary shares or take delivery of ordinary treasury shares in the Group as settlement. The Board of Directors has made a decision to propose to the General Assembly a new option program to be initiated immediately when/if the Group is listed on the Oslo Stock Exchange. The intention of the Board is to settle in cash and terminate the Phantom stock plan simultaneously. The compensation scheme has therefore been treated as a cash-settled share-based payment.

The Board does not presently have the authority from the General Meeting to issue new shares for the purpose of the bonus-compensation payment. The bonus scheme has therefore been treated as a cash-settled share-based payments.

The vesting period for all synthetic shares in all of the individual employee-contracts is up to the expiration date 18 May 2021, regardless of when the synthetic shares were allocated. However, the date at which a third-party, or several third-parties acting in concert, completes an acquisition of shares in the Group by which such third-party obtains an ownership of more than 90% of the shares and votes in the Group, the incentive scheme is terminated. This will trigger the option-strike, resulting in a cash pay-out for all synthetic shares that the holders/employees are entitled to. Due to a possible listing on the Oslo Stock exchange in H1-2019, the share based payment is expected to be settled in cash to the synthetic-shareholders shortly after the listing. The vesting period is therefore set to throughout H1-2019 when calculating the share based payment liability.

The share-based payment liability is classified as a short-term liability in the statement of financial position per 31 December 2018. The liability is measured at the end of each reporting period until it is settled, with a corresponding expense-movement recognised in personnel expenses.

A liability is recognised for the fair value of cash-settled transactions. The fair value of the synthetic shares is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value calculated is linearly expensed over the vesting period. In addition to the calculated fair value, employee tax, holiday pay and employee tax on holiday pay has been calculated and included as part of the share-based payments liability. Refer to note 16 for the share-based payments liability recognised in the statement of financial position.

MNOK 3.2 and MNOK 5.4 was recognised as personnel expenses in the statement of profit and loss and other comprehensive income in 2017 and 2018 respectively. The liability increased from MNOK 1.6 MNOK 4.7 in 2017, and from MNOK 4.7 to MNOK 10.2 in 2018.

The fair value of the share-based payments have been calculating using a Black Scholes model with the following assumptions:

	2018	2017
Weighted average fair value at the measurement date (NOK)	567	453
Expected volatility (%)	69,5 %	65,0 %
Dividend yield (%)	0,0 %	0,0 %
Risk free interest rate (%)	1,1 %	1,1 %
Vesting period (years)	0,4	1,0
Weighted average shares price (NOK)	1 649	1 365
Strike price (NOK)	1 133	1 133
Model used	Black-Scholes	Black-Scholes

The expected volatility reflects the assumption that the historical volatility of similar peer companies over a period similar to the vesting period is indicative of future trends, which may not necessarily be the actual outcome.

Movements during the year

# synthetic shares	2018	2017
Outstanding at 1 January	15 600	15 825
Granted during the year	1 706	2 600
Forfeited during the year	0	-2 825
Outstanding at 31 December	**17 306**	**15 600**

Due to the possible listing on the Oslo Stock exchange in H1-19, the compensation is expected to be settled in cash to the phantom-shareholders shortly after the listing, and the compensation-liability is therefore classified as a short-term liability in the consolidated statement of financial position. A new option program is expected to be presented for approval by the General Assembly in connection with the planned IPO.

Note 16: Other current liabilities

(NOK 1000)	2018	2017
Public duties payable	1 708	1 347
Holiday pay payable	1 784	1 349
Share-based payment liability (incl. holiday pay and social security taxes)	10 207	4 791
Accrued expenses	2 298	1 825
SUM	**15 996**	**9 312**

Note 17: Financial instruments

Financial risk
The most significant financial risks for the Group are liquidity risk, credit risk and foreign currency risk. Management continuously evaluates these risks and determines policies related to how these risks are to be handled within the Group.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument of customer contract, leading to a financial loss. The Group is exposed to credit risk from its receivables, deposits in banks.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Interest rate risk
The Group has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which impact the financial income.

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. The Group's exposure to the risk of changes in foreign exchange-rates relates to the Group's operating activities, primarily expenses in USD, EUR and GBP.

Currency translation risk
The Group has investments in foreign operations, whose net assets are exposed to currency translation risk.

The Group does not use financial instruments, including financial derivatives, for trading purposes.

The table below show a sensitivity to a 10% increase/decrease in EUR, GBP, USD and SEK against NOK and the effect on Profit (loss) before tax:

Foreign currency sensitivity

(NOK 1000)	Change in foreign currency	2018	2017
EUR	+10%	673	259
	-10%	-673	-259
GBP	+10%	305	156
	-10%	-305	-156
USD	+10%	643	191
	-10%	-643	-191
SEK	+10%	300	0
	-10%	-300	0

Interest rate risk on bank deposits

(NOK 1000)	Change in interest rate	2018	2017
Bank deposits	+2%	2 787	3 396
	-2%	-2 787	-3 396
	+5%	6 968	8 490
	-5%	-6 968	-8 490

Fair value

The Management assessed that the fair values of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Capital management

The Group manages its capital to ensure that Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group will require new capital in the future in order to continue its research, execute planned clinical studies and commercialise products. Management closely monitors the Group's cash flows on long and short term through continuous planning and reporting.

The capital structure of the Group consists of equity attributable to owners of the Group, comprising share capital, share premium and accumulated losses.

The Group is not subject to any externally imposed capital requirements.

Note 18: Acquisition of Tet Pharma AB

On 11 July 2018, Ultimovacs AS completed the acquisition of Tet Pharma AB, the immunotherapy technology business of Immuneed AB. The acquired business is now established as a fully-owned Swedish subsidiary of Ultimovacs, based in Uppsala, Sweden, and has been renamed to Ultimovacs AB.

Based on an exclusive license agreement with the Leiden University Medical Centre, Immuneed has developed the proprietary and patent-protected Tetanus-Epitope Targeting-platform (the 'TET-platform') that Ultimovacs believes can attractively complement the vaccine technology of Ultimovacs. Ultimovacs considers the TET-platform technology as a promising and general strategy to strengthen and increase T cell responses against cancer peptides.

In parallel with the continued development of the therapeutic cancer vaccine UV1, Ultimovacs will therefore pursue the development of a new first-in-class cancer vaccine solution based on the proprietary TET-platform technology.

Following the acquisition of the business from Immuneed AB, Ultimovacs AB has two employees as of 31 December 2018, bringing the total number of employees in Ultimovacs Group by the end of 2018 to 16 (totaling 14 FTEs).

Ultimovacs AB is consolidated into Ultimovacs' consolidated financial statements from 11 July 2018. From 11 July to 31 December 2018, Ultimovacs AB had no revenues, and a negative loss before tax for the period of MNOK 2.2. The company had not revenues or costs prior to the acquisition on 11 July 2018. Total transactions costs related to the acquisition amounts to MNOK 2.6.

The purchase price was partly paid in cash and partly in shares in Ultimovacs AS. SEK 5,000,000 (corresponding to NOK 4,631,500) was paid in cash. Additionally, Ultimovacs AS issued 34,656 new shares to Immuneed AB. In the previous share issue in Ultimovacs AS (October 2017), the subscription price per share was NOK 1,322. Based on this valuation, the value of the newly issued shares corresponds to NOK 45,815,232, bringing the total purchase price to NOK 50,446,732.

Based on the preliminary purchase price allocation (PPA), the gross purchase price is NOKk 50,447. Book value of the equity is NOKk 46, which gives an excess value of NOKk 50,401. All the excess value identified in the PPA process has been allocated to the patented TET-technology which is available through an exclusive license, classified as an intangible asset in the balance sheet. The intangible asset will be tested for impairment loss whenever circumstances indicate that an intangible asset's carrying amount may not be recoverable, or at least once a year. When it is assessed that the probability of expected future economic benefits using reasonable and supportable assumptions, amortization of the intangible asset shall begin by the straight-line method over the estimated useful life of the asset.

Deferred taxes of NOKk 10,383 have been calculated on the excess values utilizing the tax rate in Sweden of 20.6%. Goodwill related to the step up of deferred tax amounts to NOKk 10,383. The goodwill comprises the value of expected synergies arising from the acquisition, assembled workforce and deferred tax on excess values.

The valuation date for the preliminary purchase price allocation is 11 July 2018, which also is the date of the transaction. The PPA is preliminary, as we have not yet obtained all of the information related to the fair value of the acquired assets and liabilities related to the acquisition to finalize the purchase price allocation. Accordingly, these preliminary estimates may be subject to change during the measurement period, which is up to one year from the acquisition date. The preliminary purchase price allocation has identified the following fair values of identifiable assets and liabilities in Ultimovacs AB as at the date of the acquisition:

(NOK 1000)	SEK	NOK
Goodwill related to step up/deferred tax	11 320	10 383
Intangible asset (licensed technology)	54 950	50 401
Total non-current assets	**66 270**	**60 783**
Cash and cash equivalents	50	46
Total current assets	**50**	**46**
TOTAL ASSETS	**66 320**	**60 829**
Deferred tax	-11 320	-10 383
TOTAL LIABILITIES	**(11 320)**	**(10 383)**
TOTAL CONSIDERATION (PURCHASE PRICE)	**55 000**	**50 447**

Note that the SEK-amounts in the above table have been converted to NOK using the currency rate as at the valuation date (transaction date), while the amounts in the balance sheet are converted with the exchange rate per reporting date. The amounts in the above table will therefore not reconcile with the balance sheet. The difference is reported as other comprehensive income (loss) in the P&L.

Note 19: Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Statement of profit and loss and other comprehensive income Ultimovacs AS

(NOK 1000) except per share data	Notes	2018	2017
Other operating income		-	-
Total revenues		**-**	**-**
Payroll and payroll related expenses	3, 4, 15	-26 143	-18 158
Depreciation and amortisation	9	-601	-534
Other operating expenses	3, 5	-25 002	-14 700
Total operating expenses		**-51 746**	**-33 391**
Operating profit (loss)		**-51 746**	**-33 391**
Financial income	6	1 376	631
Financial expenses	6	-129	-70
Net financial items		**1 247**	**561**
Profit (loss) before tax		**-50 499**	**-32 830**
Income tax expense	7	-	-
Profit (loss) for the year		**-50 499**	**-32 830**
Other comprehensive income (loss) for the year		-	-
Total comprehensive income (loss) for the year		**-50 499**	**-32 830**
Basic and diluted earnings (loss) per share (NOK per share)	8	-81,0	-62,3

Statement of financial position Ultimovacs AS

(NOK 1000)	Notes	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Investment in subsidiary	18	55 512	-
Patents	9	3 111	3 378
Property, plant and equipment	9	736	558
Total non-current assets		**59 359**	**3 935**
Current assets			
Prepayments		436	421
Other receivables	3, 10	5 549	4 661
Cash and cash equivalents	11	114 539	169 808
Total current assets		**120 524**	**174 890**
TOTAL ASSETS		**179 884**	**178 825**
EQUITY AND LIABILITIES			
Equity			
Share capital		641	606
Share premium		314 256	268 475
Total paid-in equity		**314 897**	**269 082**
Accumulated losses		-153 100	-102 601
TOTAL EQUITY	12	**161 797**	**166 480**
Current liabilities			
Accounts payable		2 475	3 033
Other current liabilities	15, 16	15 612	9 312
Total current liabilities		**18 087**	**12 345**
TOTAL LIABILITIES		**18 087**	**12 345**
TOTAL EQUITY AND LIABILITIES		**179 884**	**178 825**

Board of Directors and CEO of Ultimovacs AS
Oslo, 21 March 2019

Jonas Einarsson
Chairman of the Board

Bjørn Rune Gjelsten
Board member

Ole Kristian Hjelstuen
Board member

Henrik Schüssler
Board member

Ketil Fjerdingen
Board member

Leiv Askvig
Board member

Kristin L. A. Wilhelmsen
Board member

Øyvind Kongstun Arnesen
CEO

Statement of cash flows Ultimovacs AS

(NOK 1000)	Notes	2018	2017
Cash flows from operating activities			
Profit (loss) before tax		**-50 499**	**-32 830**
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and amortisation	9	601	534
Interest received incl. investing activities	6	-1 247	-564
Net foreign exchange differences	6	10	2
		-	
Working capital adjustment:		-	
Changes in prepayments and other receivables	10	-903	95
Changes in payables and other current liabilities	16	5 742	5 538
Net cash flows from operating activities		**-46 297**	**-27 225**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	-513	-21
Acquisition of subsidiary		-7 197	-
Shareholder contribution to subsidiary		-2 500	
Interest received	6	1 247	564
Net cash flow from investing activities		**-8 962**	**542**
Cash flow from financing activities			
Proceeds from issuance of equity	12	-	125 919
Share issue cost	12	-	-2 430
Net cash flow from financing activities		**-**	**123 489**
Net change in cash and cash equivalents	11	-55 259	96 806
Effect of change in exchange rate	6	-10	-2
Cash and cash equivalents, beginning of period	11	169 808	73 004
Cash and cash equivalents, end of period		**114 539**	**169 808**

Statement of changes in equity Ultimovacs AS

(NOK 1000)	Notes	Share capital	Share premium	Total paid in capital	Accumulated losses	Total equity
Balance as of 1 January 2017		**511**	**145 081**	**145 592**	**-69 771**	**75 821**
Profit (loss) for the year				**-**	-32 830	**-32 830**
Other comprehensive income (loss)				**-**		**-**
Issue of share capital	12	95	125 824	**125 919**		**125 919**
Share-issue costs	12		-2 430	**-2 430**		**-2 430**
Balance as of 31 December 2017		**606**	**268 475**	**269 082**	**-102 601**	**166 480**
Profit (loss) for the year				-	-50 499	**-50 499**
Other comprehensive income (loss)				-	-	**-**
Issue of share capital	12	35	45 781	45 815		**45 815**
Share-issue costs	12			-		-
Balance as of 31 December 2018		**641**	**314 256**	**314 897**	**-153 100**	**161 797**

Note 1 : General information

Ultimovacs AS (the Company or Ultimovacs) is a pharmaceutical company developing novel immunotherapies against cancer. The lead product candidate is UV1, a peptide-based vaccine inducing a specific T cell response against the universal cancer antigen telomerase.

UV1 is being developed as a therapeutic cancer vaccine which may serve as a platform for use in combination with other immuno-oncology drugs which require an ongoing T cell response for their mode of action. Ultimovacs is performing a broad clinical development program with clinical trials in Europe and the USA.

Ultimovacs was established in 2011. The company and its proprietary technology is based on pre-clinical and clinical research on immunotherapies conducted at the Oslo University Hospital. The company is privately held, mainly by Norwegian private investors/family offices.

Ultimovacs is headquartered at the Oslo Cancer Cluster Innovation Park in Oslo, Norway, and also has an office in Uppsala, Sweden. Ultimovacs is an active member of Oslo Cancer Cluster.

The financial statements were approved by the Board of Directors on 21 March 2019.

Note 2 : Accounting principles

I. Basis for preparation

The financial statements for the Company have been prepared in accordance with IFRS as adopted by the EU (IFRS). The financial statements are presented in NOK (Norwegian kroner) which is also the Company's functional currency.

The financial statements have been prepared on the historical cost basis. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in applying the Company's accounting policies.

II. Going concern

The financial statements for 2018 have been prepared under the going concern assumption, pursuant to Section 3.3a of the Norwegian Accounting Act.

III. Accounting principles

i. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with maturity of three months or less, which are subject to an insignificant risk of changes in value.

ii. Cash Flow statement

The statement of cash flows is compiled using the indirect method. The statement of cash flows distinguishes between cash flows from operating, investing and financing activities. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, cash pool balances and bank overdrafts. Cash flows in foreign currencies are translated at the rate of the transaction date. Interest paid and received is included under cash flow from investing activities. Cash flows arising from the acquisition or disposal of financial interests (subsidiaries and participating interests) are recognised as cash flows from investing activities, taking into account any cash and cash equivalents in these interests. Dividends paid out are recognised as cash flows from financing activities; dividends received are recognised as cash flows from investing activities. Cash flows from share issues are recognised as cash flows from financing activities.

iii. Financial instruments

The Company has adopted IFRS 9 which was effective from 1 January 2018. There has been no impact on the balance sheet and equity when applying the requirements of IFRS 9. The adoption of IFRS 9 has changed the Group's accounting for impairment losses for finacial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables on the balance sheet.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and other comprehensive income, loans and borrowings, or payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables.

- Subsequent measurement

The measurement of financial liabilities depends on their classification.

- Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

iv. Current vs 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:

- o Expected to be realised or intended to sold or consumed in the normal operating cycle
- o Held primarily for the purpose of trading
- o Expected to be realised within twelve months after the reporting period, or
- o 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:

- o It is expected to be settled in the normal operating cycle
- o It is held primarily for the purpose of trading
- o It is due to be settled within twelve months after the reporting period, or
- o 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.

v. Foreign currencies

The Company's financial statements are presented in NOK, which is the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company in its respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss under financial items.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into NOK at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into NOK at the average exchange rates within each respective month of the date of the transactions. Foreign currency differences are recognized in other comprehensive income (OCI) and accumulated in the translation reserve.

Exchange differences on intra-group items are recognized in profit or loss of the respective company and Group accounts.

vi. Impairment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's (cash-generating unit) fair value less costs of disposal and its value in use. It 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

vii. Investments in subsidiaries

Investments in subsidiaries, joint ventures and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

viii. Contingent liabilities

Contingent liabilities are not recognised in the statement of financial position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability represent a liability in respect of which the amount cannot be reliably measured. Contingent liabilities are disclosed if the possibility of an outflow of economic benefit to settle the obligation is more than remote.

ix. Interest income

Interest income is recognised using the effective interest method.

x. Earnings per share

The basic earnings per share are calculated as the ratio of the total comprehensive income (loss) for the year divided by the weighted average number of ordinary shares outstanding. When calculating the diluted earnings per share, the profit that is attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding are adjusted for all the dilution effects relating to share options.

No dilutive effect has been recognised as potential ordinary shares only shall be treated as dilutive if their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the Company is currently loss-making, an increase in the average number of shares would have anti-dilutive effects. As the Company has currently no issuable potential ordinary shares and basic and diluted earnings per share is the same.

xi. Government grants

Government grants are recognised 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 recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Government grants have been recognised in the statement of profit or loss and other comprehensive income as a reduction of personnel- and other operating expenses.

Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. If the Company receives non-monetary grants, the asset and the grant are recorded gross 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.

xii. Leases

Leases are classified either as operating or finance leases based on the actual content of the agreements.

- **Finance leases:** leases of assets in which the Company assumes substantially the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

- **Operating leases:** Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the statement of profit and loss and other comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

xiii. Share-based payments

Employees in the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions) or granted share appreciation rights, which can be settled in cash (cash-settled transactions).
The determination of whether the arrangement is cash or equity settled is based on a careful evaluation of the terms of the agreement and also the Company's ability to settle in shares and the promise and intent of settlement in cash.

- **Cash-settled transactions:** A liability is recognised 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 recognised in employee benefits 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 Black Scholes model.

- **Equity-settled transactions**

The cost of equity-settled transactions is recognised in payroll and other payroll related expenses, together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised 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 and other comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

xiv. Intangible assets

Intangible assets are stated at their historical cost and amortised on a straight-line basis over their expected useful lives, which usually varies from 3 to 10 years and up to 20 years for patents. An adjustment is made for any impairment. Intangible items acquired must be recognised as assets separately from goodwill if they meet the definition of an asset, are either separable or arise from contractual or other legal rights, and their fair value can be measured reliably.
All research and development spending is expensed each year in the period in which it is incurred. Development costs will be capitalised once the "asset" being developed has met requirements of technical and commercial feasibility to signal that the intangible investment is likely to either be brought to market or sold. Due to uncertainties regarding award of patents, regulations, ongoing clinical trials etc., the asset recognition criteria of IAS 38 "Intangible Assets" are not met.

xv. Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and any impairment losses. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit and loss and other comprehensive income as incurred.

xvi. Tax assets

The income tax expense includes tax payable and changes in deferred tax. Income tax on balances recognised in other comprehensive income is recognised as other comprehensive income, and tax on balances related to equity transactions is recognised in equity.

The tax payable for the period is calculated according to the tax rates and regulations ruling at the end of the reporting period.

Deferred tax is calculated on temporary differences between book and tax values of assets and liabilities and the tax effects of losses to carry forward in the consolidated financial statements at the reporting date. Deferred tax liabilities and assets are calculated according to the tax rates and regulations ruling at the end of the reporting period and at nominal amounts. Deferred tax liabilities and assets are recognised net when the Company has a legal right to net assets and liabilities.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available which the loss carry forward or other deductible temporary differences can be utilised. Currently no deferred tax assets are recognised in the statement of financial position as the utilisation is uncertain.

xvii. Segments

The Company is still in a R&D phase, and currently does not generate revenues. For management purposes, the Company is organised as one business unit and the internal reporting is structured in accordance with this. All non-current assets are located at the Company's main office in Oslo, Norway.

IV. Estimates and judgements

In order to prepare the financial statements, management and the Board may have to make various judgments and estimates that can affect the amounts recognised in the financial statements for assets, liabilities and expenses. Uncertainties about these adjustments and estimates could result in outcomes that require adjustment to the carrying amount of assets or liabilities affected in future periods. Assumptions and estimates were based on available information at the time of the preparation of the financial statements. Existing circumstances and assumptions about future developments, however, may change and such changes are reflected when they occur.

i. Share-based payments

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 share option or appreciation right, volatility and dividend yield and making assumptions about them. The Company initially measures the cost of cash-settled transactions with employees using a Black Scholes model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

ii. Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. The Company considers that a deferred tax asset related to accumulated tax losses cannot be recognised in the statement of financial position until the product under development has been approved for marketing by the relevant authorities. Significant management judgement is required to determine the amount, if any, of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

V. Standards and interpretations issued but not yet adopted

The standards that are issued, but not yet effective, up to the date of the issuance of the financial statements that are relevant to the Company's current activities are disclosed in more detail below.

i. IFRS 16 Leases

IFRS 16 was issued in January 2016 and is effective for annual periods beginning 1 January 2019. The Company has analysed the potential impact of implementing IFRS 16 Leases. The standard will require the Company to recognise a liability to make lease payment (lease liability) and an asset representing the right to use the underlying assets during the lease term (the right-of-use asset) and separately recognise the interest expense on the lease liability and the depreciation expense of the right-to-use asset. The Company has chosen to apply the modified retrospective approach, and measure the lease liability at the date of initial application at the present value of the remaining lease payments based on the lessee's incremental borrowing rate over the remaining lease term. The right-of-use asset recognised on transition will be measured at an amount equal to the lease liability (less any accruals or prepayments).

Note 3 - Government grants

The following government grants have been recognised in the statement of profit and loss:

(NOK 1000)	2018	2017
Skattefunn	4 946	4 182
BIA grants from The Research Council of Norway (Forskningsrådet)	496	1 243
Eurostars	285	0
Innovation Norway (Innovasjon Norge)	60	400
Total grants	**5 787**	**5 825**

Government grants have been recognised in the statement of profit and loss and other comprehensive income as a reduction for the related expenses with the following amounts:

(NOK 1000)	2018	2017
Payroll and related expenses	1 860	1 613
Other operating expenses	3 927	4 212
Total costs deducted	**5 787**	**5 825**

Grants receivable as per 31 December are detailed as follows:

(NOK 1000)	2018	2017
Skattefunn	4 946	4 182
Eurostars	285	0
BIA grants from The Research Council of Norway (Forskningsrådet)	0	47
Total receivables from government grants	**5 231**	**4 229**

Skattefunn:
The Skattefunn R&D tax incentive scheme is a government program designed to stimulate research and development in Norwegian. Grants from Skattefunn were received for four different projects in 2017, of which three expired during the year. Two more projects were applied for and approved during 2018. As of 31 December 2018, Skattefunn-grants for the following projects have been approved (*project period*):
- Combination therapy with a hTERT vaccine and anti-PD1 therapy in melanoma (2017 to 2020)
- Combination therapy against advanced melanoma (2018 - 2021)
- Long term effects of immuntherapy against cancer (2018 - 2021)

The Research Council of Norway (Forskningsrådet):
Ultimovacs was awarded BIA grants from the Research Council of Norway for the project "A novel immunotherapy against cancer" in the period February 2014 to its completion in June 2018.

Innovation Norway (Innovasjon Norge):
Innovation Norway is a state-owned company and a national development bank with the goal to promote innovation and development of Norwegian enterprises and industry. Ultimovacs was awarded MNOK 0.4 for the project "Re-targeting T-cells against cancer – development of T-cell receptors directed against telomerase" in 2017. In 2017 and 2018, Ultimovacs was part of a project with PCI Biotech AS called "Exploration of possible synergies between PCI Biotech's firmaVACC technology and Ultimovac's UV1 cancer vaccine". The project was completed in 2018.

Eurostars:
Eurostars is a joint programme between EUREKA and the European Commission, co-funded from the national budgets of 36 Eurostars Participating States and Partner Countries and by the European Union through Horizon 2020. Eurostars supports international innovative projects led by research and development- performing small- and medium-sized enterprises, and is adminstered by Forskningsrådet in Norway. Ultimovacs has been awared financial support for the project "Validation of a novel immune response capturing platform for immunotherapy development and monitoring" from 2018 to 2021.

All conditions and contingencies attached to the grants recognised in the accounts have been fulfilled.

Note 4: Salary and personnel expenses and management remuneration

(NOK 1000)	2018	2017
Salaries and holiday pay	18 248	13 364
Duties payable	2 690	2 139
Share-based payments	5 416	3 199
Pension costs defined contribution plans	1 254	899
Other personnel costs	395	170
Less government grants	-1 860	-1 613
Total payroll and payroll related expenses	**26 143**	**18 158**
The number of FTEs employed during the financial year:	11,4	8,5
Number of employees at end of year	14	11

Management remuneration

The Company's Management team was established during 2017 and consists of the Company's CEO, CFO and the managers of each department. There were six employees (incl. CEO) in the management team by the end of 2017. In 2018, two new department managers were added to the management team (of which one from Ultimovacs AB) bringing the total number of management team members to eight. Seven in the team were employed the whole year of 2018, while one was employed from July 2018. For 2017, five of the management team members were employed the whole year and two members were employed from August 2017. The amounts below is excluding the member from Ultimovacs AB:

Management remuneration 2018

(NOK 1000)	Salary / Board remuneration	Benefits in kind	Pension cost	Total remuneration
Management				
Øyvind Arnesen (CEO)	2 410	198	91	**2 699**
Management team (excl CEO)	8 777	715	531	**10 024**
Members of the Board				
Ketil Fjerdingen (Chairman of the Board)	275			**275**
Bjørn Rune Gjelsten (Board member)	138			**138**
Jonas Einarsson (Board member)	138			**138**
Leiv Askvig (Board member)	138			**138**
Henrik Schüssler (Board member)	138			**138**
Ole Kristian Hjelstuen (Board member)	138			**138**
Kristin Wilhelmsen (Board member)	138			**138**
Total remuneration	**12 287**	**914**	**622**	**13 823**

Management remuneration 2017

(NOK 1000)	Salary / Board remuneration	Benefits in kind	Pension cost	Total remuneration
Management				
Øyvind Arnesen (CEO)	2 330	194	88	**2 611**
Management team (excl CEO)	6 807	694	406	**7 908**
Members of the Board				
Ketil Fjerdingen (Chairman of the Board)	250			**250**
Bjørn Rune Gjelsten (Board member)	125			**125**
Jonas Einarsson (Board member)	125			**125**
Leiv Askvig (Board member)	125			**125**
Henrik Schüssler (Board member)	125			**125**
Ole Kristian Hjelstuen (Board member)	125			**125**
Kristin Wilhelmsen (Board member)	52			**52**
Total remuneration	**10 064**	**888**	**494**	**11 446**

A total of 17.306 synthetic shares (described in the share-based payment note 15) have been allocated to employees in the Company. 3,000 synthetic shares were allocated to the CEO in 2016, and 9,400 synthetic shares to the rest of the management team during 2016 and 2017.

The Company Management takes part in the general pension scheme described below.

The CEO is entitled to 12 months' severance pay as compensation for waiving his rights to employment protection ensuing from Chapter 15 of the Working Environment Act.

In the event of either an IPO, a minimum of 67% of the Company's shares being acquired, or a merger/demerger plan being signed, the CFO, Hans Vassgård Eid, will be entitled to receive severance pay upon termination of his employment with the Company equal to 9 months' base salary in addition to payment of his salary during his 3 month notice period. There are no similar arrangements for any of the other employees of the Company with respect to termination of their employment.

There were no outstanding loans or guarantees made to the Board of Directors or the Management Team as of 31 December 2018 or as of 31 December 2017.

Pensions

The Company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The Company has a defined contribution pension scheme which complies with the Act on Mandatory company pensions.

As at 31 December 2018, all fourteen of the Ultimovacs AS's employees were covered by the pension scheme. A similar pension scheme is in place for the two employees in Ultimovacs AB in Sweden.

Other than the general pension schemes described above, there are no specific pension arrangements made for any member of the Management team.

The Company has no pension or retirement benefits for its Board Members.

The pernsion contributions recognised as expenses equalled TNOK 899 and TNOK 1,448 in 2017 and 2018 respectively.

Note 5 - Other operating expenses

The Company is in a development phase, and the majority of the Company's costs are related to R&D. These costs are expensed in the statement of profit and loss and other comprehensive income.

Other operating expenses

(NOK 1000)	2018	2017
External R&D expenses	16 957	12 829
Clinical studies	7 876	8 013
Manufacturing costs	6 793	3 691
Other R&D expenses	2 289	1 125
Rent, office and IT	2 618	1 856
Patent related expenses	2 253	1 240
Accounting, audit, legal, consulting	3 548	397
Other operating expenses	3 552	2 589
Less government grants	-3 927	-4 212
Total operating expenses	**25 002**	**14 700**

Specification auditor's fee

(NOK 1000)	2018	2017
Statutory audit	173	45
Audit related services	135	-
Tax related services	38	-
Other	433	-
Total	**780**	**45**

VAT is not included in the fees specified above.

Total expenses related to R&D, including other operating expenses, payroll and payroll related expenses, less government grants, amounted to MNOK 20.1 in 2017 and MNOK 30.4 in 2018.

Note 6: Financial items

Financial income

(NOK 1000)	2018	2017
Interest income	1 257	564
Foreign exchange gains	119	67
Total financial income	**1 376**	**631**

Financial expenses

(NOK 1000)	2018	2017
Foreign exchange losses	0	70
Other financial expenses	129	0
Total financial expenses	**129**	**70**

Note 7: Income tax

Income tax expense:

(NOK 1000)	2018	2017
Profit (loss) before tax	-50 499	-32 830
Non-deductible income	54	61
Non-deductible expenses and other items	-4 956	-6 620
Change in temporary differences	5 447	3 253
Basis for tax calculation	**-49 953**	**-36 136**
Tax expense	**0**	**0**

(NOK 1000)	2018	2017
Expected tax expense	-11 615	-7 879
Non-deductible income	12	15
Non-deductible expenses and other items*	-1 140	-1 006
Change in deferred tax assets not recognised	10 945	7 627
Effect from changes in tax rate	1 797	1 243
Income tax expense	**0**	**0**

* The share issue cost of MNOK 2.4 in 2017 was deducted directly from equity, have been deducted from non-deductable expenses as the tax-effect is charged directly to equity.

The corporate tax rate in Norway was 24 per cent in 2017 and 23 per cent in 2018. As of 1 January 2019, the tax rate in Norway was reduced to 22%.

Deferred tax assets

(NOK 1000)	2018	2017
Tax losses carried forward	169 642	119 689
Temporary diff. - share based payment liability	10 207	4 791
Temporary differences - PPE	-108	-140
Temporary differences and tax loss carry forward	**179 740**	**124 340**
Deferred tax assets - not recognised in statement of financial position	**39 543**	**28 598**
Deferred tax assets per 31 December	**0**	**0**
	22 %	23 %

Note 8: Earnings per share

The basic earnings per share (EPS) are calculated as the ratio of the total comprehensive income (loss) for the year divided by the weighted average number of ordinary shares outstanding. As the Company has currently no issuable potential ordinary shares and basic and diluted earnings per share is the same.

Share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognised as potential ordinary shares only shall be treated as dilutive if their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the company is currently loss-making an increase in the average number of shares would have anti-dilutive effects.

Earnings per share

	2018	2017
Profit (loss) for the year	-50 499	-32 830
Average number of outstanding shares during the year	623 488	526 786
EPS - basic and diluted (NOK per share)	**-81,0**	**-62,3**

Note 9: Non-current assets

Year ended 31 December 2018

(NOK 1000)	Laboratory equipment	Office and IT equipment	Patents	Total
Accumulated cost 1 January 2018	852	245	4 000	5 097
Additions	0	513	0	513
Cost at 31 December 2018	**852**	**758**	**4 000**	**5 610**
Accumulated depreciation and amortisation at 1 January 2018	-352	-188	-622	-1 162
Depreciations in the year	-177	-157	-267	-601
Accumulated depreciation and amortisation at 31 December 2018	**-528**	**-345**	**-889**	**-1 762**
Carrying value at 31 December 2018	**323**	**413**	**3 111**	**3 847**

Year ended 31 December 2017

(NOK 1000)	Laboratory equipment	Office and IT equipmemt	Patents	Total
Accumulated cost 1 January 2017	852	224	4 000	5 076
Additions	0	21	0	21
Cost at 31 December 2017	**852**	**245**	**4 000**	**5 097**
Accumulated depreciation and amortisation at 1 January 2017	-163	-109	-356	-628
Depreciations in the year	-189	-78	-267	-534
Accumulated depreciation and amortisation at 31 December 2017	**-352**	**-188**	**-622**	**-1 162**
Carrying value at 31 December 2017	**500**	**58**	**3 378**	**3 935**
Economic life	3 years	3 years	15 years	
Depreciation method	linear	linear	linear	

Patents

In 2015, the Company acquired all rights to the patents and technology from Inven2 AS, which is one of the Company's main shareholders. The price for the patent was MNOK 4.0 and was based on a purchase option in the license agreement entered into with Inven2 AS in 2011. The purchase of these rights implies that the Company no longer has to pay future royalties to Inven2 AS from potential commercial sales of products related to the patents/patent applications.

According to the purchase agreement, Inven2 AS is entitled to two milestone payments of MNOK 5.0 and MNOK 6.0 at the commencement of a clinical phase IIb and phase III study (or another registration study) respectively.

The patent period spans over 15 years and expires in 2030.

Note 10: Other receivables

(NOK 1000)	2018	2017
Government grants receivables (ref note 3)	5 231	4 229
VAT receivables	318	431
Other receivables	-	-
Total other receivables	**5 549**	**4 661**

Note 11: Cash and cash equivalents

(NOK 1000)	2018	2017
Employee withholding tax	978	807
Cash at bank	113 561	169 001
Cash and cash equivalents	**114 539**	**169 808**

Note 12: Share capital, shareholder information and dividend

The share capital as at 31 December 2018 comprised 640,816 shares (606,160 as at 31 December 2017), all with a nominal value of NOK 1 per share.

All issued shares have equal voting rights and the right to receive dividend. No dividend has been paid in the period.

In the third quarter 2018, an Extraordinary General meeting approved an increase of the number of shares by 34,656 to new and existing shareholders at a share-price of NOK 1,322.

Changes to share capital

	2018	2017
Ordinary shares at 01 January	606 160	510 911
Issuance of ordinary shares*	34 656	95 249
Ordinary shares at 31 December	**640 816**	**606 160**

* Shares issued in July 2018 and November 2017.

Transaction costs related to the share-issues amounted to MNOK 2.4 and NOK 0 in 2017 and 2018 respectively, and have been recognised against share premium. For computation of earnings per share and diluted earnings per share see Note 8.

The 20 main shareholders at 31 December 2018:

	Number of shares:	Ownership interest:
Gjelsten Holding AS	195 418	30,5 %
Inven2 AS	80 871	12,6 %
Canica AS	55 886	8,7 %
Radiumhospitalets Forskningsstiftelse	55 835	8,7 %
Langøya Invest AS	36 253	5,7 %
Imuneed AB	34 656	5,4 %
Watrium AS	32 837	5,1 %
Sundt AS	24 686	3,9 %
Prieta AS	19 407	3,0 %
CGS Holding AS	14 575	2,3 %
Helene Sundt AS	14 575	2,3 %
Wiarom AS	10 000	1,6 %
Annemvax AS	9 876	1,5 %
Holmetjern Invest AS	9 142	1,4 %
Månebakken AS	7 560	1,2 %
Vitmed AS	6 400	1,0 %
K-TO AS	4 767	0,7 %
Asteroidebakken AS	3 780	0,6 %
Aeolus AS	3 500	0,5 %
Jakob Hatteland Holding AS	2 500	0,4 %
20 Largest shareholders	**622 524**	**97,1 %**
Other shareholders (21)	18 292	2,9 %
Sum	**640 816**	**100,0 %**

Three members of the Management team held a total of 11,900 ordinary shares in the Company as at 31 December 2018.

Number of shares held by CEO and the Board of Directors as at 31 December 2018

	Position	Number of shares
Øyvind Arnesen (CEO) - through Vitmed AS	CEO	6 400
Bjørn Rune Gjelsten - through Gjelsten Holding AS	Board member	195 418
Ketil Fjerdingen - through Langøya Invest AS	Board member	36 253
Kristin Wilhelmsen - through Watrium AS *	Board member	32 837
Leiv Askvig - through Basen Kapital AS	Board member	1 900
Total shares held by CEO and Board of Directors		**272 808**

* Kristin Wilhelmsen with closely related parties is a majority shareholder in the family-owned company Watrium AS, which holds 32,837 shares in Ultimovacs AS.

The 20 main shareholders at 31 December 2017:

	Number of shares:	Ownership interest:
Gjelsten Holding AS	195 418	32,2 %
Inven2 AS	90 871	15,0 %
Canica AS	55 886	9,2 %
Radiumhospitalets Forskningsstiftelse	55 835	9,2 %
Langøya Invest AS	36 253	6,0 %
Watrium AS	32 837	5,4 %
Sundt AS	24 686	4,1 %
Prieta AS	19 407	3,2 %
CGS Holding AS	14 575	2,4 %
Helene Sundt AS	14 575	2,4 %
Annemvax AS	9 876	1,6 %
Holmetjern Invest AS	9 142	1,5 %
Månebakken AS	7 560	1,2 %
Vitmed AS	6 400	1,1 %
K-TO AS	4 767	0,8 %
Asteroidebakken AS	3 780	0,6 %
Aeolus AS	3 500	0,6 %
Jakob Hatteland Holding AS	2 500	0,4 %
Løren Holding AS	2 000	0,3 %
Snøtind AS	2 000	0,3 %
20 Largest shareholders	**591 868**	**97,6 %**
Other shareholders (19)	14 292	2,4 %
Sum	**606 160**	**100,0 %**

Three members of the Management team held a total of 11,900 ordinary shares in the Company as at 31 December 2017.

Number of shares held by CEO and the Board of Directors as at 31 December 2017

	Position	Number of shares
Øyvind Arnesen (CEO) - through Vitmed AS	CEO	6 400
Bjørn Rune Gjelsten - through Gjelsten Holding AS	Board member	195 418
Ketil Fjerdingen - through Langøya Invest AS	Board member	36 253
Kristin Wilhelmsen - through Watrium AS *	Board member	32 837
Leiv Askvig - through Basen Kapital AS	Board member	1 900
Total shares held by CEO and Board of Directors		**272 808**

* Kristin Wilhelmsen is a majority shareholder in the family-owned company Watrium AS, which holds 32,837 shares in Ultimovacs AS.

Note 13: Transactions with related parties

In 2015, Ultimovacs acquired the patent rights for the core UV1 technology from Inven2 AS, a major shareholder in the Company. Based on the agreements, Invent2 AS is entitled to receive two potential milestone payments when certain clinical research criteria are reached. Please refer to note 9 for additional information.

As part of ordinary business and at market price, Ultimovacs purchases services related to clinical trials and laboratory services from Oslo University Hospital through Inven2 AS. Invoicing from Inven2 AS amounted to MNOK 2.9 and MNOK 1.2 in 2017 and 2018 respectively (incl. VAT). As per 31 December 2018, Ultimovacs had NOK 0 in outstanding payables to Inven2 AS (MNOK 1.7 at 31 December 2017).

Ultimovacs AS finances running operations and projects in Ultimovacs AB through unconditional shareholder contributions. As at 31 December 2018, Ultimovacs AS has contributed with a total of MNOK 2.5 in unconditional shareholder contributions to Ultimovacs AB.

Note 14: Leases and commitments

The future minimum rents related to non-cancellable leases for premises fall due as follows:

(NOK 1000)	2018	2017
Within 1 year	0	0,4
1 to 5 years	3,8	0
After 5 years	0	0
Sum	**3,8**	**0,4**

The Company has not entered into any finance lease arrangements. The only significant agreement classified as operating lease is the rental agreement for office and lab premises in Oslo. The rental agreement was renewed with effect from 1 February 2018 for a 5 year period. The net present value of future minimum rents related to non-cancellable leases for these premises is estimated to be MNOK 3.8 as per 31 December 2018. If IFRS 16 had been implemented before 1 January 2019, this amount would have been capitalized as a liability and asset in the balance sheet. The effects in the statement of profit and loss and other comprehensive income would have been immaterial, as depreciation and interest cost would have been approximately the same amount as the total rental costs recognized in FY18. IFRS 16 is effective for annual periods beginning 1 January 2019.

Total expenses related to the rental agreements amounted to MNOK 1.0 in 2018 and MNOK 1.0 in 2017.

Note 15: Share based payment

At the Annual General Meeting in April 2016 the Board was authorized to introduce a new incentive scheme for employees (Synthetic share plan), based on the value development of the Company's shares. In total twelve employees have been granted synthetic shares, which are not physically held by the owner. The employees are entitled, upon exercise, to receive a cash amount corresponding to the increase in the value of the underlying share in the period from the option was assigned to the exercise, and holiday pay on the same amount. According to the agreement, the Board of Directors of the Company may, at its discretion and subject to applicable authorisations from the general meeting, elect to settle any bonus-amounts payable in shares rather than cash payments. The Employee will then be required to subscribe for such new ordinary shares or take delivery of ordinary treasury shares in the Company as settlement. The Board of Directors has made a decision to propose to the General Assembly a new option program to be initiated immediately when/if the Company is listed on the Oslo Stock Exchange. The intention of the Board is to settle in cash and terminate the Phantom stock plan simultaneously. The compensation scheme has therefore been treated as a cash-settled share-based payment.

The Board does not presently have the authority from the General Meeting to issue new shares for the purpose of the bonus-compensation payment. The bonus scheme has therefore been treated as a cash-settled share-based payments.

The vesting period for all synthetic shares in all of the individual employee-contracts is up to the expiration date 18 May 2021, regardless of when the synthetic shares were allocated. However, the date at which a third-party, or several third-parties acting in concert, completes an acquisition of shares in the Company by which such third-party obtains an ownership of more than 90% of the shares and votes in the Company, the incentive scheme is terminated. This will trigger the option-strike, resulting in a cash pay-out for all synthetic shares that the holders/employees are entitled to. Due to a possible listing on the Oslo Stock exchange in H1-2019, the share based payment is expected to be settled in cash to the synthetic-shareholders shortly after the listing. The vesting period is therefore set to throughout H1-2019 when calculating the share based payment liability.

The share-based payment liability is classified as a short-term liability in the statement of financial position per 31 December 2018. The liability is measured at the end of each reporting period until it is settled, with a corresponding expense-movement recognised in personnel expenses.

A liability is recognised for the fair value of cash-settled transactions. The fair value of the synthetic shares is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value calculated is linearly expensed over the vesting period. In addition to the calculated fair value, employee tax, holiday pay and employee tax on holiday pay has been calculated and included as part of the share-based payments liability. Refer to note 16 for the share-based payments liability recognised in the statement of financial position.

MNOK 3.2 and MNOK 5.4 was recognised as personnel expenses in the statement of profit and loss and other comprehensive income in 2017 and 2018 respectively. The liability increased from MNOK 1.6 MNOK 4.7 in 2017, and from MNOK 4.7 to MNOK 10.2 in 2018.

The fair value of the share-based payments have been calculating using a Black Scholes model with the following assumptions:

	2018	2017
Weighted average fair value at the measurement date (NOK)	567	453
Expected volatility (%)	69,5 %	65,0 %
Dividend yield (%)	0,0 %	0,0 %
Risk free interest rate (%)	1,1 %	1,1 %
Vesting period (years)	0,4	1,0
Weighted average shares price (NOK)	1 649	1 365
Strike price (NOK)	1 133	1 133
Model used	Black-Scholes	Black-Scholes

The expected volatility reflects the assumption that the historical volatility of similar peer companies over a period similar to the vesting period is indicative of future trends, which may not necessarily be the actual outcome.

Movements during the year

# synthetic shares	2018	2017
Outstanding at 1 January	15 600	15 825
Granted during the year	1 706	2 600
Forfeited during the year	0	-2 825
Outstanding at 31 December	**17 306**	**15 600**

Due to the possible listing on the Oslo Stock exchange in H1-19, the compensation is expected to be settled in cash to the phantom-shareholders shortly after the listing, and the compensation-liability is therefore classified as a short-term liability in the statement of financial position. A new option program is expected to be presented for approval by the General Assembly in connection with the planned IPO.

Note 16: Other current liabilities

(NOK 1000)	2018	2017
Public duties payable	1 653	1 347
Holiday pay payable	1 763	1 349
Share-based payment liability (excl. holiday pay and social security taxes)	10 207	4 791
Accrued expenses	1 989	1 825
SUM	**15 612**	**9 312**

Note 17: Financial instruments

Financial risk
The most significant financial risks for the Company are liquidity risk, credit risk and foreign currency risk. Management continuously evaluates these risks and determines policies related to how these risks are to be handled within the Company.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument of customer contract, leading to a financial loss. The Company is exposed to credit risk from its receivables, deposits in banks.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Interest rate risk
The Company has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which impact the financial income.

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. The Company's exposure to the risk of changes in foreign exchange-rates relates to the Company's operating activities, primarily expenses in USD, EUR and GBP.

The Company does not use financial instruments, including financial derivatives, for trading purposes.

The table below show a sensitivity to a 10% increase/decrease in EUR, GBP, USD and SEK against NOK and the effect on Profit (loss) before tax:

Foreign currency sensitivity

(NOK 1000)	Change in foreign currency	2018	2017
EUR	+10%	662	259
	-10%	-662	-259
GBP	+10%	304	156
	-10%	-304	-156
USD	+10%	641	191
	-10%	-641	-191
SEK	+10%	78	0
	-10%	-78	0

Interest rate risk on bank deposits

(NOK 1000)	Change in interest rate	2018	2017
Bank deposits	+2%	2 783	3 396
	-2%	-2 783	-3 396
	+5%	6 958	8 490
	-5%	-6 958	-8 490

Fair value
The Management assessed that the fair values of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Capital management
The Company manages its capital to ensure that Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company will require new capital in the future in order to continue its research, execute planned clinical studies and commercialise products. Management closely monitors the Company's cash flows on long and short term through continuous planning and reporting.

The capital structure of the Company consists of equity attributable to owners of the Company, comprising share capital, share premium and accumulated losses.

The Company is not subject to any externally imposed capital requirements.

Note 18: Investment in subsidiary

(NOK 1000)	2018	2017
Investment in Ultimovacs AB	50 447	-
Unconditional shareholder contribution to Ultimovacs AB	2 500	-
Transaction costs	2 565	-
SUM	**55 512**	**-**

On the 10.07.18, Ultimovacs AS acquired 100% of the shares in the Swedish biotech company Tet Pharma AB, now Ultimovacs AB, from Immuneed AB at a consideration of MNOK 50.5 (MSEK 55.0). The business is located in Uppsala, Sweden and has two employees. The share capital in Ultimovacs AB is SEKk 50.

Ultimovacs AS finances running operations and projects in Ultimovacs AB through unconditional shareholder contributions. As at 31 December 2018, Ultimovacs AS has contributed with a total of MNOK 2.5 in unconditional shareholder contributions to Ultimovacs AB.

In addition to the unconditional shareholder contribution, the transaction costs for the acquisition have been added to the total subsidiary investment in the statement of financial position.

The impairment test performed as of December 31 2018 did not result in any impairment of book value of the investment in Ultiovacs AB. The impairment test was based on the same assumptions as used in the impairment test of "goodwill" and "licenses" in the group accounts.

Note 20: Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Ultimovacs AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ultimovacs AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2018, the statements of other comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2018 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the 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 and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. 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 management for the financial statements

Management is responsible for the preparation and fair presentation 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.

Building a better working world

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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles 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, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with 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 Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Building a better working world

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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 25th March 2019

ERNST & YOUNG AS

Tommy Romskaug
State Authorized Public Accountant (Norway)

Contact us

Ultimovacs AS
Ullernchausséen 64
0379 Oslo
Norway

mail@ultimovacs.com

+ 47 413 80 080

About Ultimovacs

Ultimovacs is a pharmaceutical company developing novel immunotherapies against cancer. The lead product candidate is UV1, a peptide-based vaccine inducing a specific T cell response against the universal cancer antigen telomerase. UV1 is being developed as a therapeutic cancer vaccine which may serve as a platform for use in combination with other immuno-oncology drugs which require an ongoing T cell response for their mode of action. Ultimovacs is performing a broad clinical development program with clinical trials in Europe and the USA.

Ultimovacs was established in 2011. The company and its proprietary technology is based on pre-clinical and clinical research on immunotherapies conducted at the Oslo University Hospital. The company is privately held, mainly by Norwegian private investors/family offices.

Ultimovacs is headquartered at the Oslo Cancer Cluster Innovation Park in Oslo, Norway, and also has an office in Uppsala, Sweden. Ultimovacs is an active member of Oslo Cancer Cluster.