ultimovacs

Annual Report 2019

Contents

About Ultimovacs

Ultimovacs is a pharmaceutical company developing novel immunotherapies against cancer. The Company was established in 2011 and is listed on the Oslo Stock Exchange.

The company's proprietary technology is based on pre-clinical and clinical research on immunotherapies conducted at the Oslo University Hospital. Ultimovacs is located at the Oslo Cancer Cluster Innovation Park in Oslo, Norway, and is an active member of Oslo Cancer Cluster. Ultimovacs is performing a broad clinical development program with clinical trials in Europe and the USA.

The lead product candidate is UV1, a peptide-based vaccine inducing a specific T cell response against the universal cancer antigen telomerase (hTERT), expressed at a high level in over 85% of human tumors. The vaccine's mode of action is to make the immune system produce CD4 T cells (i.e. T helper cells), recognizing cancer cells expressing telomerase (hTERT). UV1 may potentially be applied universally across cancer types, in different stages of disease, and in combination with different cancer treatments. The vaccine is easy to use and requires no sophisticated infrastructure in hospitals. UV1 is manufactured as an off-the-shelf product with long shelf life.

UV1 is being developed as a therapeutic cancer vaccine and a platform for other immuno-oncology drugs which require an ongoing T cell response for their mode of action. Longer-term, a vaccine like UV1 is attractive to investigate in early stage tumors and also in preventing tumors from starting to grow.

UV1 treatment in three Phase I studies (metastatic prostate cancer, metastatic non-small cell lung cancer and metastatic malignant melanoma) with a total of 52 patients enrolled have been completed at the Oslo University Hospital.

The three completed trials show clinical outcomes that Ultimovacs sees as a strong basis for the further clinical development of UV1, both with respect to safety and signals of clinical effect.

Ultimovacs is currently the sponsor of one ongoing clinical study which is run in the US. In this phase I study the safety and tolerability of treatment with the combination of pembrolizumab (PD1 inhibitor) and UV1 in 30 patients with metastatic malignant melanoma is investigated.

Ultimovacs is sponsor of a randomized phase II trial named INITIUM where UV1 will be combined with anti-PD-1 plus anti-CTLA-4 in metastatic malignant melanoma. Study objectives include obtaining efficacy and safety data on the combination therapy.

UV1 will also be investigated in a randomized, multi-center phase II trial in mesothelioma. The trial, named NIPU, investigates the efficacy and safety of UV1 in combination with the checkpoint inhibitors nivolumab and ipilimumab as second-line treatment in mesothelioma.

Statement of the CEO

The goal for all companies developing medicines is to translate an idea about how to treat a disease into actual patient treatments. The idea behind Ultimovacs' therapeutic cancer vaccine UV1 originates in the 1990s. Gustav Gaudernack initiated the world's first clinical trials with a peptide-based therapeutic cancer vaccine. In these first clinical trials some patients survived serious cancer much longer than expected. What these long-term survivors had in common was CD4 T-helper cells recognizing specific parts of the enzyme telomerase. The idea behind Ultimovacs was to use a selection of three of these telomerase fragments to give all patients the T-helper cells we know are associated with long-term survival.

Ultimovacs was established in 2011. I came on board in 2012 as the first employee and Gustav Gaudernack also decided to become an employee of the company trying to document the clinical usefulness of his idea.
During the first years, we started three phase I trials in three different cancer types and in different stages of cancer. To our joy we found UV1 to be very immunogenic. 80% of the patients responded with T-helper cells recognizing one or more of the three peptides in the vaccine. This information was the foundation to further increase staff and plan the next step: combining the vaccine with checkpoint inhibitors.

In 2018, Ultimovacs decided to buy the adjuvant technology part of the Swedish company Immuneed, now Ultimovacs AB, located in Uppsala, Sweden. This technology may facilitate improved solutions for both cancer vaccines and vaccines in general.

Ultimovacs has now made the most extensive development program for any biotech company in Norway. 272 patients will be recruited into our two large, randomized trials and we are working steadily towards getting our new adjuvant technology into a first in man clinical trial. We are now 21 employees with extensive experience in oncology, immunology, clinical trial operations, regulatory affairs and production. We know we will find out what UV1 can do for cancer patients when we read out the results from the INITIUM (malignant melanoma) and NIPU (mesothelioma) trials. A major step forward for Ultimovacs was the agreement between Oslo University Hospital, Bristol-Myers Squibb and Ultimovacs to do the NIPU trial. The agreement was a recognition of our technology both from academia and one of the world's largest immune-oncology companies.

2019 was a turning point for Ultimovacs when the company was listed on the Oslo Stock Exchange and we raised 370 MNOK in a challenging market. Ultimovacs has been blessed with owners understanding that development takes time. Gjelsten Holding, Radforsk, Sundt, Canica, Watrium and Langøya Invest have given their financial support, but also been instrumental in giving advice on how to build and finance Ultimovacs.

When I joined Ultimovacs in 2012, my intention and promise to the Board was to find out what UV1 can do for cancer patients. In 2022 that answer is expected to come. Ultimovacs has the staff and the money in place to execute the development plan. Ultimovacs now needs to change gears and make the most out of the results from the clinical trials. A new CEO, Carlos de Sousa will come on board from June 1st. He has the right competence and experience for Ultimovacs in the years to come.

The change of CEO is right for the company, but I will miss being a part of the staff I have built up and I will miss meeting with the most supporting board any CEO can ask for. I have had a fantastic journey with Ultimovacs over the last 8 years. For the company, its shareholders and cancer patients, I believe that the most rewarding part of the journey is soon to come.

Øyvind Arnesen, Chief Executive Officer

DIRECTORS' REPORT

Overview of 2019

2019 was probably the most eventful year for Ultimovacs to date. In the first half of the year, major internal and external resources were spent getting the company ready for listing on Oslo Børs/Stock exchange and raise capital in an initial public offering. These preparations started already in 2018, and on 3 June 2019, the company was successfully listed on the Oslo Stock Exchange, raising MNOK 370 in a challenging market. These funds will take the company to the next level, with the start-up of not only one, but two randomized phase II studies in 2020.

With the satisfactory safety information from the ongoing phase I safety study in malignant melanoma, the stage is set to level up and commence a phase II efficacy study in the same indication (INITIUM). The board is truly pleased to see that in December 2019, the company entered into a deal with Oslo University Hospital as a sponsor for a phase II study in mesothelioma (NIPU), where Ultimovacs and Bristol-Myers Squibb will supply drugs. Cooperation projects with big pharma such as Bristol-Myers Squibb has been a high priority and clearly valuable for a small biotech company such as Ultimovacs.

The initiation of the NIPU trial implies that UV1 will be tested in two large randomized, fully funded phase II trials in different cancer types with a total of 272 patients. This represents a major step forward for Ultimovacs and the development of UV1. Being engaged in two such trials in parallel will enhance the opportunities for successful clinical results and support that UV1 may be broadly applicable across cancer types.

Key objectives for the coming year are successful patient enrollment for these two phase II trials, as well as further preparing the drug product for commercial quality and production. Our research and development departments are also continuing its efforts on drug analysis and further work on the TET/UV2 technology.

We are excited to continue the development of UV1 towards market approval and finally being able to test the clinical effect of the vaccine in larger, randomized patient populations.

During the year, three new employees joined the company, bringing the total up to 19 employees by the end of the year. The board of directors' composition also changed during 2019, where Kari Grønås and Eva S. Dugstad replaced Bjørn Rune Gjelsten and Ole Kristian Hjelstuen. The Board of Ultimovacs has appointed Carlos de Sousa as new Chief Executive Officer, who is a seasoned industry executive with 30 years of experience ranging from leadership positions at international pharmaceutical companies such as Pfizer, Novartis and Nycomed/Takeda, to executive management roles at several innovative biotech companies. Relevant experience of Dr. de Sousa includes business development, licensing agreements and strategic partnerships. He brings to Ultimovacs the benefit of a broad and international industry network. Dr. de Sousa will join Ultimovacs as new CEO on 1 June 2020. Until then, Øyvind Kongstun Arnesen will continue in his position as CEO. We are very grateful for the valuable work Mr. Arnesen has done for the company over the last 8 years and look forward to Dr. de Sousa joining the team in 2020 to take the company through the next development phase.

Highlights

Key highlights of the year 2019

- The preparations for the randomized phase II INITIUM trial in malignant melanoma have been progressing according to plan towards inclusion of the first patient in 2020
- Agreement reached for an additional phase II trial, where UV1 will be investigated in a randomized trial in mesothelioma (named NIPU), sponsored by Oslo University Hospital and supported by Ultimovacs and Bristol-Myers Squibb
- Satisfactory safety information on UV1 from the ongoing phase I trial in malignant melanoma
- Second cohort of 10 additional patients opened in the safety trial I malignant melanoma with the objective to test increase in adjuvant dosing
- Successful completion of initial public offering and listing on Oslo Børs in June, raising MNOK 370 in new capital
- The European Patent Office has granted Ultimovacs patent for UV1 in Europe which gives protection for UV1 until 2031. UV1 patents granted for UV1 now include Europe, USA, Japan, Russia and China.

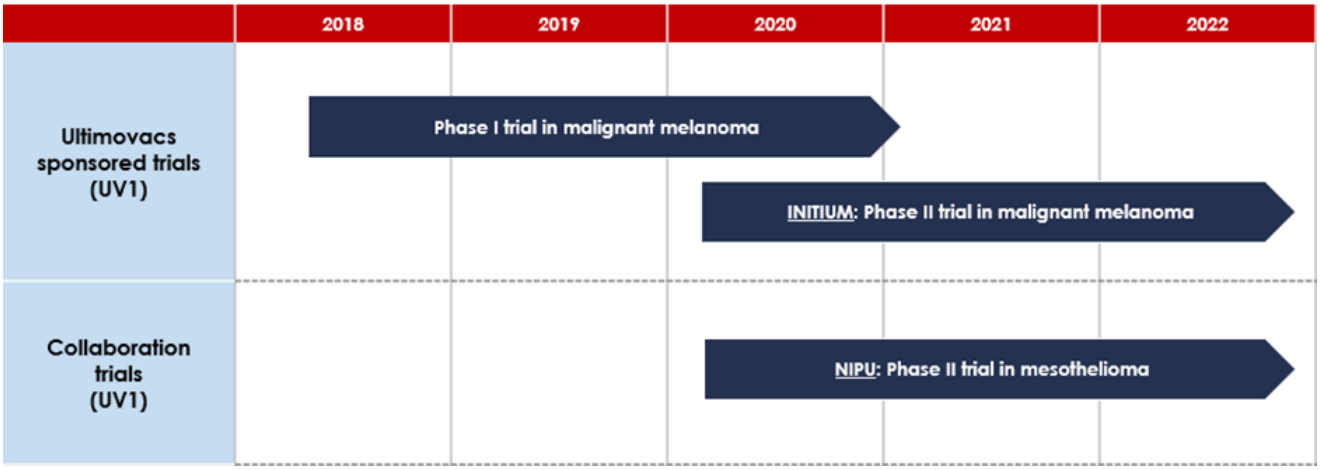
Post highlights after balance sheet date

- Results of completed phase I/IIa, single-center trial in metastatic malignant melanoma where UV1 was given in combination with ipilimumab and conducted at the Oslo University Hospital were presented at ASCO-SITC in February 2020. Median progression free survival was 6.7 months, median overall survival is not yet reached and overall survival at 3 and 4 years was 67% and 50% respectively. The comparative IPI4 study had a 4-year overall survival of 27.5%, which is consistent with survival data in the major historical ipilimumab studies.
- Ultimovacs has appointed Carlos de Sousa as new Chief Executive Officer. Mr. de Sousa will join Ultimovacs as new CEO on 1 June 2020. Until then, Øyvind Kongstun Arnesen will continue in his position as CEO.

Clinical trial overview

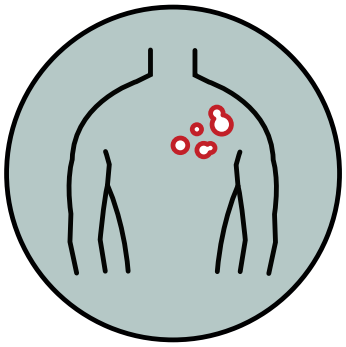
Ultimovacs has a broad development program for UV1 across several indications

Treatment in three Phase I studies have been completed and patients are currently followed up for survival, immune response and new anti-cancer treatment. The completed trials show clinical outcomes that Ultimovacs sees as a strong basis for the further clinical development of UV1, both with respect to safety and signals of clinical effect. These data were evaluated by FDA in the USA and an IND (Investigational New Drug) was opened July 2017 allowing further development of UV1 within the malignant melanoma indication. One Phase I study in malignant melanoma is currently ongoing, and two Phase II studies (in malignant melanoma and mesothelioma) will commence in 2020.



INITIUM

The INITIUM trial is a Ultimovacs-sponsored randomized phase II trial in metastatic malignant melanoma where UV1 will be given in combination with the CTLA-4 checkpoint inhibitor ipilimumab and the PD-1 checkpoint inhibitor nivolumab. The trial will be run in the US and Europe (including Norway) with 154 patients to be enrolled. The trial is randomized, where 77 patients will receive nivolumab and ipilimumab while the other 77 patients will receive nivolumab, ipilimumab and UV1. The first patient is planned to be enrolled in 2020. Planned readout of the primary endpoint progression-free survival is H2-2022.



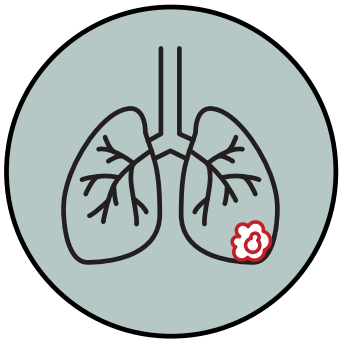
Covance is selected as CRO (Contract Research Organization) for the trial.

The Independent Data Monitoring Committee for the INITIUM trial is established to monitor patient safety in the study. The committee has the following members: Jeffrey Weber (NYU Langone Health, NY, USA), James Larkin (Royal Marsden, London, England), Caroline Robert (Gustave Roussy Cancer Campus, Grand Paris, France) and Kevin Carroll (KJC Statistics Ltd, UK).

Melanoma is a type of skin cancer that develops when melanocytes (the cells that give the skin its tan or brown color) start to grow out of control. Melanoma is much less common than some other types of skin cancers. But melanoma is more dangerous because it's much more likely to spread to other parts of the body if not caught and treated early. Melanomas can develop anywhere on the skin, but they are more likely to start on the trunk (chest and back) in men and on the legs in women. The neck and face are other common sites.

World-wide, more than 130,000 new cases of melanoma are diagnosed every year and it is estimated that close to 50,000 persons die from metastatic melanoma every year. There is a large unmet medical need for improved treatment of melanoma. There is a good theoretical rationale for combining a universal cancer vaccine with PD1 and CTLA-4 blockade.

NIPU



On 13 December 2019, Ultimovacs announced that UV1 will be investigated in a randomized, multi-center phase II trial in mesothelioma. The trial, named NIPU, investigates UV1 in combination with the checkpoint inhibitors nivolumab and ipilimumab as second-line treatment in mesothelioma. Oslo University Hospital ('OUS') is the sponsor of the study. Bristol-Myers Squibb ('BMS') and Ultimovacs have entered into agreements with OUS to support the preparations and execution of the trial. Ultimovacs will cover the costs associated with its participation in the study from existing funds. Patient recruitment is planned to commence in 2020.
A total of 118 patients will be included in the study. Half of the patients will be treated with the combination of UV1, nivolumab and ipilimumab, whereas the other half will receive nivolumab and ipilimumab only. The study is planned to be conducted at five hospitals in four countries (Norway, Sweden, Denmark and Australia). The study sites are planned to be Oslo University Hospital in Norway, Karolinska University Hospital and Skåne University Hospital Lund in Sweden, Rigshospitalet in Denmark and Sir Charles Gairdner Hospital in Perth, Australia.

The primary endpoint of the trial is progression-free survival (PFS) and the PFS read-out is planned for H2-2022. The objective of the study is to induce a clinically meaningful progression-free survival (PFS) benefit in patients with malignant pleural mesothelioma (MPM) after progression on first-line standard platinum doublet chemotherapy.

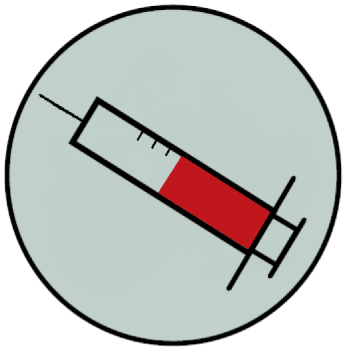
MPM is rare a malignant tumor originating from the cells lining the mesothelial surface in the lungs and is the most common type of mesothelioma and is a disease with a high unmet medical need with a median overall survival of approximately 1 year. It is a fatal form of thoracic cancer that is diagnosed in more than 30,000 and kills over 25,000 people per year.

Most patients are treated with palliative chemotherapy. Patients with disease progression after first-line therapy have few therapeutic options. Asbestos exposure is heavily linked to the development of the disease. It may take 10 - 50 years for symptoms of mesothelioma to manifest after initial asbestos exposure. Even though the use of asbestos to a large extent is banned today, new incidences of mesothelioma will continue to be a medical challenge for decades. An estimated 410,000 to 525,000 people were exposed to toxic dust including asbestos during the September 11th attacks in 2001 and a significant local rise in incidence is expected in decades to come.

Compared to many other cancer types the incidence numbers are low, however the medical need is very high. There is therefore a significant market opportunity for an improved therapy for mesothelioma. In the case of UV1 in combination with checkpoint inhibitor (CPI) there is also a significant value beyond the mesothelioma indication. UV1 is potentially effective across a broad range of cancer types as telomerase is expressed in most cancers. The mechanism of action of the CPI's are also not cancer type dependent. The data from clinical trials and accompanying biological studies therefore has significant transfer value for other cancer types and indications.

Safety trial in Malignant Melanoma

In this US based phase I trial study in malignant melanoma, UV1 is given in combination with the PD-1 checkpoint inhibitor pembrolizumab. Pembrolizumab is a therapy improving immune cells' ability to attack tumor cells. The primary objective of this study is safety data in order to commence other planned phase II studies. The first patient was enrolled in Q3-18, and all 20 of the initially planned patients were successfully included (cohort 1 – safety pembrolizumab/UV1) by Q3-19. No unexpected safety issues related to UV1 have been observed to date. In September 2020, all patients in cohort 1 will have 1-year observation time. Safety and efficacy data from this cohort will be presented at an international medical conference.



The safety information obtained so far in this trial creates an opportunity to explore a higher dose of the adjuvant GM-CSF in some patients. An adjuvant is a medical substance used to enhance the effect of another medical substance. GM-CSF is used as an adjuvant together with UV1 to strengthen the ability of UV1 to stimulate the immune system.

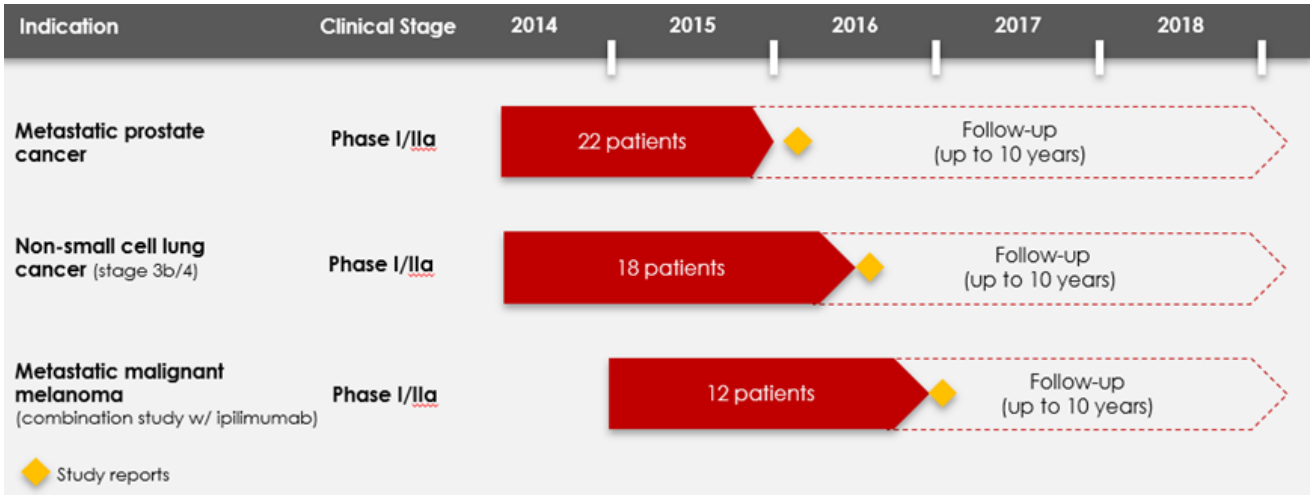
In order to establish a better analytical foundation for future dosing of the adjuvant GM-CSF, Ultimovacs decided to establish a separate group of 10 patients (cohort 2 – dose finding GM-CSF) where the dosing of GM-CSF will be increased from 37.5 µg to 75 µg per UV1 vaccination. 75 µg is the same dose that was given in the three phase I trials previously conducted in Norway. The UV1 dose remains unchanged in this additional group of patients. This will give Ultimovacs valuable additional information and increased confidence regarding dosing of GM-CSF. The inclusion of patients in cohort 2 started in Q4-19, and all the additional patients are planned to be fully enrolled during 2020. For Ultimovacs, this trial gives supporting data for future filing applications. The progress of this trial does not dictate timelines for the randomized phase II trials.

On 30 September 2019, this trial was presented during a poster session at the ESMO 2019 Congress in Barcelona, Spain. The poster presentation was entitled "Phase I Clinical Trial Investigating the Therapeutic Cancer Vaccine UV1 in Combination with Pembrolizumab as First-Line Treatment of Patients with Malignant Melanoma". The European Society for Medical Oncology (ESMO) is the leading professional organisation for medical oncology. With 20,000 members representing oncology professionals from over 150 countries worldwide, ESMO is the society of reference for oncology education and information. The annual ESMO Congress, held every year is attended by 25,000 participants.

Completed trials in follow-up phase

Treatment in three Phase I studies with a total of 52 patients enrolled in the period 2013 – 2015 have been completed at the Oslo University Hospital. The patients have been followed up for survival, immune response and new anti-cancer treatment.

- **Metastatic prostate cancer (22 patients):** Patients with advanced prostate cancer without lung and/ or liver metastases were enrolled. These patients had started CAB treatment (GnRH-agonist combined with anti-androgen therapy) prior to UV1 treatment.
- **Non-small cell lung cancer (NSCLC, 18 patients):** In the lung study stage 3b/4 NSCLC patients were enrolled, who previously had been treated with palliative radiotherapy and/or at least two courses of chemotherapy. These patients were not to be in progression, confirmed by CT, at least 4 weeks prior to UV1 treatment.
- **Metastatic Malignant Melanoma – UV1 in combination with the CTLA-4 checkpoint inhibitor ipilimumab (12 patients):** The malignant melanoma trial included patients with unresectable or metastatic disease when enrolled and were eligible for ipilimumab. Ipilimumab is an agent stimulating immune cell generation and is an approved drug for treatment of malignant melanoma.



Safety and tolerability were primary endpoints in all three studies, while immune response towards any of the UV1 peptides and efficacy were secondary endpoints. Three different dose levels of UV1 were investigated in the prostate cancer and NSCLC studies (100, 300 and 700 µg). In the malignant melanoma study, 300 µg UV1 was given in combination with ipilimumab. The UV1 doses have been given with GM-CSF as an adjuvant treatment.

Data from the three studies showed that UV1 is generally well tolerated. There were no dose limiting toxicities. UV1 induced an immune response (telomerase (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 phase I trials have been reviewed by FDA (U.S. Food and Drug Administration) and founded the basis for starting clinical research in the US in malignant melanoma. Ultimovacs sees the outcome of these trials as a strong basis for the further development of UV1.

During the second half of 2019, Ultimovacs has obtained new data on overall survival in the non-small cell lung cancer (NSCLC) trial and the prostate cancer trial. In the NSCLC trial, 4-year overall survival is 39%. In the prostate cancer trial, 5-year overall survival is 50%.

CLINICAL TRIAL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	MEDIAN OS (MONTHS)	mPFS (MONTHS)
Prostate (n = 22)	95%	86%	73%	55%	50%	Will be more than 60 months	n.a.
NSCLC (n = 18)	72%	50%	44%	39%	H2-20	28.2	12.3
Malignant Melanoma (n = 12)	75%	75%	67%	50%	Q1-21	Will be more than 48 months	6.7

1. Note that some patients have received other treatments upon progression and this is likely to affect survival
2. Median Progression-Free Survival
3. PFS (Progression-Free Survival) not possible to measure in the prostate cancer trial. Instead, patients are followed on PSA measurements. As of today, 8 patients have normalized PSA levels. (For definition of PSA, please see Glossary at the end of this report)
4. mPFS updated after database revision (previously reported as 6.5 months)
5. Prostate: (EudraCT No. 2012-002411-26) NSCLC: (EudraCT No. 2012-001852-20) MM: (EudraCT No. 201300558239)

NSCLC trial 4-year readout: UV1 was given to previously treated patients with advanced stage (III/IV) NSCLC. Eighteen patients were enrolled, with six patients in each of three different UV1 dose groups (100, 300 and 700µg), with GM-CSF as adjuvant. Main endpoints were safety, immune response against UV1 peptides and efficacy including long-term survival. After having followed all patients for four years, the main results are as follows:

- UV1 was well tolerated without any severe safety events
- UV1 induced a specific immune response in 67% of the patients
- Median overall survival was 28.2 months
- Four years overall survival was 39% (7 of 18 patients alive)
- All results favor the highest UV1 dose (700µg) for this patient population. In the 700µg dose group, 5 of 6 patients were still alive 4 years after treatment start
- None of the long-term survivors have received any other immunotherapy during the follow-up time

These results were presented on November 9, 2019, in the abstract "Long term outcomes of a Phase I Study with UV1, a Second Generation Telomerase Based Vaccine, in Patients with advanced Non-Small-Cell Lung Cancer" was presented during a poster session at the SITC 34th Annual Meeting 2019 in Maryland. The Society for Immunotherapy of Cancer (SITC) is a professional society of influential scientists, academicians, researchers, clinicians, government representatives, and industry leaders from around the world dedicated to improving cancer patient outcomes by advancing the science and application of cancer immunotherapy. Currently, SITC has more than 2,400 members, representing 22 medical specialties from 42 countries around the world, who are engaged in the research and treatment of cancer.

Malignant melanoma trial 4-year readout (post balance sheet news): In this completed phase I/IIa, single-center trial in metastatic malignant melanoma, UV1 was given in combination with ipilimumab and conducted at the Oslo University Hospital. Patients with metastatic melanoma received treatment with UV1 (300 µg) + GM-CSF (75 µg) as an adjuvant, combined with ipilimumab (3 mg/kg). A total of 12 patients were treated from February to November 2015. After having followed all patients for four years, the main results are as follows:

- Treatment was generally well-tolerated. Adverse events mainly included injection site reactions and diarrhea.
- Immune responses towards the UV1 peptides occurred very early and 10/11 (91%) of evaluable patients showed an immune response.
- With 4 years of follow-up, one patient obtained a complete tumor response and three patients obtained a partial response, resulting in an objective response rate of 44% based on 9 evaluable patients.
- The median progression free survival (mPFS) was 6.7 months.

- Overall survival at 3 and 4 years was 67% and 50%, respectively. Although this study did not have a direct comparator arm, the results compare favorably to the ipilimumab monotherapy phase IV study at the Oslo University Hospital (the 'IPI4 study'). The hospital enrolled 69 patients in the IPI4 study, with the same investigators, during the same time period and with similar inclusion criteria as Ultimovacs' phase I study. The IPI4 study had a 4-year overall survival of 27.5%, which is consistent with survival data in the major historical ipilimumab studies.

In conclusion, combining UV1 and ipilimumab is safe and induces favorable clinical responses in melanoma. The high proportion of immunological responders and early induction of detectable immune responses suggest synergism between UV1 and ipilimumab. Response rates and overall survival compare favorably to the IPI4 study and relevant historical controls. The results warrant further investigation of UV1 in combination with immune checkpoint blockade in malignant melanoma.

These results were presented as a poster; 'A Phase I/IIa Clinical Trial Investigating the Therapeutic Cancer Vaccine UV1 in Combination with Ipilimumab in Patients with Malignant Melanoma: 4-year Survival Update', at the ASCO-SITC Clinical Immuno-Oncology Symposium on 7 February 2020. The ASCO-SITC Clinical Immuno-Oncology Symposium is a three-day meeting focused on clinical and translational research in immuno-oncology and the implications for clinical care.

UV2/TET

When developing a vaccine, there are two separate technologies that need to be in place: 1. What do you want the T-cells from the vaccine to recognize (choice of antigen), and 2. How do you make the immune system respond to the antigens you have chosen (choice of adjuvant)? For UV1 the antigens are the three peptides, the adjuvant is GM-CSF. Ultimovacs and other companies and institutions developing vaccines see that peptide based vaccines could benefit from an improved adjuvant solution. Ultimovacs is developing new adjuvant technology called TET. With this technology the antigens and adjuvant are joined together in one molecule. The technology is based on the fact that the immune system responds to tetanus bacteria if you are vaccinated against tetanus. The antibodies coming from a tetanus vaccination hooks on to a small fragment on the bacteria. The new UV2/TET technology uses exactly the same fragments and hook vaccine antigens to a cluster of these fragments. If such a molecule is injected into a person vaccinated against tetanus, this person's immune system will respond as if there is a start of an infection with tetanus bacteria. The response is a production of T-cells recognizing the peptide(s) that were hooked on to the tetanus fragments. This is generic vaccine technology and can be applied to any vaccine with peptides as antigens. It is not limited to cancer vaccines.

Financial overview

Initial public offering

On 29 May 2019, Ultimovacs ASA could announce the successful completion of its initial public offering ('IPO'). The first day of trading in Ultimovacs' shares on the Oslo Stock Exchange was 3 June 2019, with the ticker 'ULTIMO'.

As part of the IPO process, Ultimovacs issued 11,840,000 new shares in connection with the IPO, raising gross proceeds of MNOK 370. Following the issuance of new shares, there is now a total of 27,860,400 shares outstanding in the Company (each with a par value of NOK 0.10). The new shares issued represents 42.5% of the total issued shares after the IPO. The price per Offer Share was set to NOK 31.25, corresponding to a pre-money equity valuation of approximately MNOK 500, and corresponding to a post-money market capitalisation at the IPO of approximately MNOK 870.

The IPO attracted strong interest from domestic and international institutional investors, including international healthcare specialist funds, as well as retail subscribers in Norway. Total shareholders numbered approximately 1,500 following the IPO, and over 2,000 as per year end 2019.

Ultimovacs' main shareholders prior to the IPO subscribed for shares close to MNOK 120 in the IPO.

Financial results

Ultimovacs does not yet generate revenues, as the Company is in a research and development phase. In FY19, the company received government grants of MNOK 7.8 compared to MNOK 5.8 in FY18, which has been deducted from payroll expenses and other operating expenses.

Payroll and payroll related expenses in FY19 was MNOK 20.2 compared to MNOK 27.1 in FY18. The decrease in FY19 compared to FY18 is primarily a result of the share-based payment liability reversal in June 2019. Several of the company's employees had synthetic shares which were valued at MNOK 10.2 with a corresponding liability in the balance sheet. This incentive scheme was terminated and replaced by a share option program when Ultimovacs was listed on the Oslo Stock Exchange. As all synthetic shares at the time of listing were valued lower than the strike price, all synthetic shares were settled/terminated without any value. Consequently, the liability of MNOK 10.2 was reversed in June 2019. Not taking into account this reversal, payroll and payroll related expenses were higher in FY19 than in FY18, primarily as a result of a higher headcount (17 FTEs as per end of FY19 compared to 14 FTEs as per end of FY18).

Other operating expenses primarily comprise R&D related expenses. These expenses, including IP and external R&D expenses, offset by government grants, amounted to MNOK 32.9 in FY19 and MNOK 15.5 in FY18. The primary projects contributing to these expenses in FY19 were the phase I safety trial and the Initium trial, as well as CMC (Chemistry, Manufacturing and Controls) activities.

During 2018 and 2019, significant resources have also been spent on preparing the Company for the listing on Oslo Børs (Oslo Stock Exchange) in June 2019. Several corporate, legal and financial advisors have been involved in the process in both 2018 and 2019. Total direct costs expensed in the P&L related to the listing amounted to MNOK 3.2 in FY19. Costs related to the same listing process which could be directly attributed to the share capital increase (i.e. not expensed in the P&L) amounted to MNOK 25.4 in FY19). Other operating expenses were higher in FY19 (MNOK 44.0) compared to FY18 (MNOK 28.8) due to higher R&D and IPO related expenses.

Total loss in FY19 amounted to MNOK 61.2 compared to a loss of MNOK 55.3 FY18.

KEY FINANCIALS (1 000)	2019	2018
Total revenues	-	-
Total operating expenses	66 217	56 522
Operating profit (loss)	**(66 217)**	**(56 522)**
Profit (loss) for the period	**(61 166)**	**(55 280)**
Basic and diluted earnings (loss) per share (NOK per share)	(2.7)	(3.5)
Net change in cash and cash equivalents	284 332	(54 240)
Cash and cash equivalents, end of period	**399 607**	**115 540**

Financial position

Total assets per 31 December 2019 was MNOK 478.0, an increase of MNOK 288.2 from 31 December 2018, primarily as a result of increase in bank deposits from the issued shares in the IPO in June 2019.

In relation to the implementation of IFRS 16, an office rental contract and four car-leasing contracts have been capitalised in the balance sheets. The right-to-use-assets and its corresponding liability have been capitalized, amounting to MNOK 3.5 and MNOK 3.6 respectively per 31 December 2019. Total liabilities as of 31 December 2019 amounted to MNOK 33.4.

Total equity equalled MNOK 444.6 as of 31 December 2019. The equity was increased by MNOK 370 in June 2019, which was the gross amount raised in the IPO by issuing 11.840.000 new shares at a price per share of NOK 31.25. Costs which could be directly attributed to the share issue have been deducted against equity, reducing share premium by MNOK 25.4 and resulting in net proceeds from the share issue of MNOK 344.6. Further in FY19, total equity has decreased by the period's operating loss and translation differences amounting to MNOK 61.8, and in addition been increased by the recognition of share-based payments/stock options of MNOK 2.0.

Cash flow

Total increase in cash and cash equivalents in FY19 was MNOK 284.3, mainly a result of the net capital increase when issuing new shares in connection with the IPO, offset by the negative cash flow from operating activities of MNOK 63.0. Total cash and cash equivalents per 31 December 2019 amount to MNOK 399.6.

Allocation of the Parent Company's net result

The Board of Directors proposed that the loss of MNOK 56.5 in Ultimovacs ASA is transferred to accumulated losses.

Working environment

Ultimovacs aims to provide a safe, secure and positive work environment for all employees, free of discrimination or harassment. Ultimovacs does not accept any kind of 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.

Absence due to sickness was 1.0% in 2019, up from 0.1% in 2018. No work-related accidents or accidents were recorded in Ultimovacs in 2019.

As per 31 December 2019, the Group had 19 employees, 17 in Ultimovacs ASA in Oslo, and 2 in Ultimovacs AB in Uppsala, Sweden. Of the 19 employees, four were part time employees with a 50% position. 10 out of the 19 employees were male and 9 were female. The management team comprise five men and three women, and the Board of Directors comprise four men and three women.

A total of 16.5 full time employee equivalents were employed in the financial year of 2019.

External Environment

Ultimovacs' operations do not directly pollute or harm the environment, and the company and its employees are committed to behaving responsibly and to minimising the impact on the environment.

Corporate Governance

The Board and management of Ultimovacs ASA are committed to maintaining high ethical standards and promoting good corporate governance. Ultimovacs believes that strong corporate governance builds and maintains confidence among investors and other stakeholders, and thereby supports maximal value creation over time. The board considers that the attention to corporate governance is beneficial for companies and investors. Ultimovacs corporate governance principles are based on maintaining a transparent and clear communication, regulating the division of roles between shareholders, the board and executive management and treating all shareholders equally. In addition, shares in the Company are freely transferable and all shareholders are to be treated equally.

Ultimovacs' Corporate Governance Policy (approved by the Board of Directors on 4 December 2018) and the Report in this annual statement are based on the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES), last revised on 17 October 2018 and the corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act.

Corporate Governance is further addressed in a separate statement in this annual report and constitutes an integrated part of the Directors' Report. The full Corporate Governance Policy is available on the company's website at www.ultimovacs.com/investors/governance

Corporate Social Responsibility (CSR)

Ultimovacs recognises that we must integrate our business values and operations in a way so that we act responsibly in a broader social context and meet key expectations of our stakeholders. These stakeholders include employees, patients, regulators, suppliers, shareholders, the community and the environment. Ultimovacs will work to ensure a socially responsible business operation involving good business ethics, as well as how employees are treated, the relationship with the environment and the work to deliver safe products to patients, among others.

Key CSR focus areas identified are patient safety, employee environment, human rights, environment, supply chain management, anti-corruption and transparent communication. In addition, separate ethical guidelines apply to all employees in the group.

Corporate Social Responsibility is further addressed in a separate section in this annual report and constitutes an integrated part of the Directors' Report. The full Corporate Social Responsibility policy is available on the company's website at www.ultimovacs.com/investors/governance

Risks and uncertainties

Ultimovacs is an early-stage research and development biotech/pharmaceutical company that is still in its early stages. Thus, Ultimovacs is exposed to the same generic risks as other companies within this sector. The Company has not generated any revenues historically and is not expected to do so in the short term. The Group's development, results of operations and operational progress have been, and will continue to be, affected by a range of factors, many of which are beyond the Group's control.

Operational risks

Research and development up to approved registration is subject to considerable risk and is a capital-intensive process. The Company's candidates for cancer vaccines and technology platforms are dependent on research and development and may be delayed and/or incur higher costs than currently expected.

Legislative and regulatory environment
The operations may be impacted negatively by changes or decisions regarding laws and regulations. Several regulatory factors have influenced and will likely continue to influence the Group's results of operations. The Group operates in a heavily regulated market and regulatory changes may affect the Group's ability to commence and perform clinical studies, include patients in clinical trials, protect intellectual property rights and obtain patents, obtain marketing authorization(s), market and sell potential products, operate within certain geographical areas/markets, produce the relevant products, in-license and out-license products and technology, etc.

Competitive environment
Competitive cancer treatments and new/alternative therapies, either within immune-oncology or within the broader space of oncology, may affect the Group's ability to commence and complete clinical trials, as well as the opportunity to apply for marketing authorization, and may influence future sales if marketing authorization is obtained. Competing pharmaceuticals can capture market shares or reach the market faster than Ultimovacs. If competing projects have a better product profile (e.g. better efficacy and/or less side effects), the future value of Ultimovacs' product offerings may be lower than expected. The amount and magnitude of clinical trials within different oncology areas in which the Group operates may influence the access to patients for clinical trials.

Financial risks

The primary financial risks are foreign exchange risks and financing risks. The Group has no financial instruments to mitigate these risks, however this is continuously assessed.

Foreign exchange rate exposure
Ultimovacs will conduct a large share of its clinical studies and other R&D activities outside of Norway and is therefore exposed to fluctuations in the exchange rate between NOK and several currencies, mainly EUR and USD. Further, the production is conducted in Belgium and Italy, and production costs are therefore exposed to the fluctuations of EUR against NOK. The fluctuation of the above-mentioned currencies may therefore impact the overall costs for the clinical studies and production, as well as other costs such as consultants invoicing in these currencies.

In addition, the Company has investment in foreign operations, whose net assets are exposed to currency translation risk.

Operational currency exposure is constantly monitored and assessed, however, no financial hedging instruments have currently been utilised to mitigate the currency risks.

Financing
Adequate sources of funding may not be available when needed or may not be available on favourable terms. The Company's ability to obtain such additional capital or financing will depend in part upon prevailing market conditions as well as conditions of its business and its operating results, and those factors may affect its efforts to arrange additional financing on satisfactory terms. The Group monitors the liquidity risk through monthly rolling consolidated forecasts for result and cash flow, and the Board of Directors works continuously to secure the business operation's need for financing.

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.

Ultimovacs' financial risk exposures are described in more detail in note 17 in this financial statement.

COVID-19 pandemic related risks

The COVID-19 pandemic has consequences and creates risks that are described in the section 'Subsequent events' below.

Going concern

The annual accounts have been prepared on the basis of a going concern assumption in accordance with section 3-3(a) of the Norwegian Accounting Act and in the opinion of the Board of Directors these financial statements provide a fair presentation of the Company's business, financial results and outlook. There have occurred no significant events since the end of 2019, and the Board of Directors confirms that the going concern assumption has been satisfied.

Subsequent events

The coronavirus pandemic has a profound impact on the global economy and no industry seem to be protected from operational and financial consequences. The final impact on any industry or individual company is currently difficult to assess. For a biotech company like Ultimovacs, some of the possible implications of the COVID-19 pandemic will be:

- The initiation, patient inclusion and conduct of clinical trials may be affected. Challenges may arise, for example, from redirection of personnel and other resources from clinical trials to other areas, quarantines, site closures, travel limitations, or other considerations if site personnel or trial subjects become infected. This applies both to hospitals were the clinical trials will be run and to laboratories performing certain services as part of the clinical trial.

  Ultimovacs has previously communicated that the inclusion of the first patient was expected during Q1 2020 in both the INITIUM trial (randomized phase II trial in malignant melanoma) and the NIPU trial (randomized phase II trial in mesothelioma). However, an immediate consequence of the coronavirus pandemic is that clinical trial activities and patient inclusion is now put on hold. The overall activation of sites and patient recruitment in the two phase II trials is currently unclear. Ultimovacs will continue to make all preparations and take all reasonable measures to ensure that the completion of these trials is delayed as little as possible. In the ongoing phase I trial in malignant melanoma in the US, patient recruiting in cohort 2 is still active. Inclusion of cohort 1 in this trial is completed as previously announced, and 1-year safety and efficacy endpoints will be reported H2-2020.

- The supply chain for the investigational products may be interrupted, either at the manufacturing site or with respect to logistical operations. Short-term, Ultimovacs expects supplies of investigational products to be under control.

- The pandemic has caused significant fluctuations in currency exchange rates. The Norwegian Krone (NOK) is currently at a very low level vs. EUR and USD. This will increase Ultimovacs' costs of clinical trials, manufacturing and other projects.

Ultimovacs expects the main consequences to be implications for timing and costs.

Ultimovacs has a strong cash position of MNOK 400 by year-end 2019. This gives a good foundation for executing the current development plan. Potential delays in the trials will to some extent imply that related expenses are also delayed.

The coronavirus pandemic has no consequences for the financial statement for 2019.

There are no other significant subsequent events.

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.

The phase I study in malignant melanoma, where UV1 is combined with pembrolizumab, is expected to be fully recruited during 2020 (unless influenced by the COVID-19 pandemic) and to give valuable information regarding UV1 safety and GM-CSF safety and dosing.

In 2020, two randomized phase II trials will start where UV1 will be tested in two different cancer types. Ultimovacs is the sponsor in one of these trials. Before the outbreak of the COVID-19 pandemic, both trials had expected readout of the primary endpoint progression-free survival during the second half of 2022. The two trials will include a total of 272 patients. Main study objectives are efficacy and safety data on the combination therapies.

Ultimovacs continuously has or seek discussions to enter into cooperation projects with academic institutions and pharmaceutical companies in order to document the effect and safety of UV1 in other cancer types and in combinations with different cancer treatments.

Ultimovacs also seeks to broaden its pipeline of drug/technology candidates. The R&D activities are currently focused 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.

Ultimovacs is making development choices based on the knowledge that UV1 is a universal vaccine in several dimensions; the vaccine can potentially play a role across most cancer types, in most patients, in different stages of cancer and in combination with other cancer treatments. Thus, with positive results from future randomized, clinical trials, the development potential is significant.

Board of Directors and CEO of Ultimovacs ASA

Oslo, 1 April 2020

Sign	Sign	Sign
Jónas Einarsson Chairman of the Board	**Kari Grønås** Board member	**Eva S. Dugstad** Board member
Sign	Sign	Sign
Henrik Schüssler Board member	**Ketil Fjerdingen** Board member	**Leiv Askvig** Board member
Sign		Sign
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 2019, 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.

Board of Directors and CEO of Ultimovacs ASA

Oslo, 1 April 2020

Sign

Jónas Einarsson
Chairman of the Board

Sign

Kari Grønås
Board member

Sign

Eva S. Dugstad
Board member

Sign

Henrik Schüssler
Board member

Sign

Ketil Fjerdingen
Board member

Sign

Leiv Askvig
Board member

Sign

Kristin L. A. Wilhelmsen
Board member

Sign

Øyvind Kongstun Arnesen
CEO

CORPORATE SOCIAL RESPONSIBILITY ('CSR') – GUIDELINES

Introduction
Ultimovacs (Ultimovacs ASA and its affiliates, the "Company") is committed to develop, manufacture and deliver innovative cancer vaccines to address unmet medical needs and advance cancer care. In its pursuit to reach this goal, Ultimovacs will work to ensure a socially responsible business operation involving good business ethics, as well as how employees are treated, the relationship with the environment and the work to deliver safe products to patients, among others. Please visit our website for the full version of the CSR guidelines, which was approved by the Board of Directors on 4 December 2019.

Ultimovacs' business goal directly addresses one of UN's sustainable development goals

Ultimovacs' mission is to extend and improve the life of patients by directing the immune system against the core of cancer. We will provide universally accessible solutions.

In 2015, UN launched its seventeen Sustainable Development Goals. Ultimovacs supports this initiative and the defined goals. Goal #3 is 'Good Health and Well-Being'. If Ultimovacs reaches its fundamental business goal, numerous patients and their families will benefit from new cancer treatments developed by Ultimovacs. This will directly and significantly contribute to UN's Sustainable Development Goal #3.

Social responsibilities
Ultimovacs recognises that we must integrate our business values and operations in a way so that we act responsibly in a broader social context and meet key expectations of our stakeholders. These stakeholders include employees, patients, regulators, suppliers, shareholders, the community and the environment. We have identified the following CSR focus areas;

a) Patient safety/R&D safety
b) Employee environment
c) Human rights
d) Environment
e) Supply Chain Management / Suppliers
f) Anti-Corruption
g) Open, transparent and clear communication

Ethical Guidelines
Ultimovacs' Ethical Guidelines are defined as part of our Corporate Governance Policy and is the basis of Ultimovacs' business conduct and our employees' code of conduct.

The Company will maintain a high ethical standard in its business concept and relations with customers, suppliers and employees. The following ethical guidelines shall be practiced in the Company, and shall apply to all employees of the Company:

1) Personal conduct
2) Conflict of Interests
3) Confidential Information
4) Influence
5) Competition

Responsibility and Review
Ultimovacs' management team is responsible for the implementation of this CSR policy and will make the necessary resources available to realise our corporate responsibilities. All employees are responsible for adopting and implementing the Company's policy on CSR.

This CSR Policy shall be regularly reviewed and any amendment shall be approved by the Board of Directors.

Corporate Governance Report

The Board of Directors of Ultimovacs ASA (the "Company") has prepared a corporate governance policy document which was resolved by the Board of Directors on 4 December 2018 and which entered into force from the date the company applied for listing on the Oslo Stock Exchange, 21 May 2019. The full Corporate Governance Policy can be found on our website: www.ultimovacs.com

This Policy addresses the framework of guidelines and principles regulating the interaction between the Company's shareholders, the Board of Directors (the "Board"), the Chief Executive Officer (the "CEO") and the Company's executive management team.

The Policy is based on the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES). The Company will in accordance with applicable legislation and stock exchange listing rules provide a report on the Company's corporate governance in the directors' report or in a document that is referred to in the directors' report.

There has been no non-conformance with the recommendations referred to below for the financial year of 2019 with the exception of the Code of Practice recommendation which stipulates that the board of directors should ensure that the general meeting is able to elect an independent chairman at general meetings. Refer to section '6 - General meetings' regarding the deviation from this NUES recommendation.

1) Implementation and reporting on corporate governance

The Board of Directors ensures that the company implements and operates by a sound corporate governance. The objective of the corporate governance is to regulate the division of roles between shareholders, the Board of Directors, the CEO and the Company's Executive Management. In this reporting section, the Board of Directors provides a systematic evaluation of the company's corporate governance practice covering every section of the Code of Practice. Any deviations from full compliance with the Code of Practice is explained with a description of the solution that has selected.

The Corporate Governance policy is reviewed annually, and an updated version will be available in the 'Governance' section of the Company's website.

2) Business

The Company's business activity as set out in Section 4 of the Articles of Association is to develop, produce and sell medicine for the treatment of cancer. The business may be carried out by the Company, the Company's subsidiaries or by participation in other companies or in cooperation with others.

Ultimovacs is a pharmaceutical company developing cancer vaccines, and the company's mission is:

To extend and improve the life of patients by directing the immune system against the core of cancer. We will provide universally accessible solutions.

Ultimovacs is committed to develop, manufacture and deliver innovative cancer vaccines to address unmet medical need and advance cancer care.

In addition to the contents in this report, the Articles of Association, the Corporate governance policy and the Corporate Social Responsibility Guidelines, give information regarding company's risk, goals, strategy and how Ultimovacs interacts with internal external stakeholders and other parties.

3) Equity and dividends

The Board aims to maintain a satisfactory equity ratio in the Company in light of the Company's goals, strategy and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The Board shall continuously assess the Company's capital requirements in light of the Company's strategy and risk profile.

The Board's authorisations to increase the share capital and to buy own shares shall be granted for periods no longer than until the next Annual General Meeting of the Company.

At the Extraordinary General Meeting on 2 May 2019, the Board of Directors was given a general authorisation to increase the share capital by NOK 260.000 (9.33% increase in outstanding shares). In addition, the Board of Directors was also authorised to issue the number of shares limited up to 10% of the company's share capital in relation to the share-based incentive agreement (share options) for the employees.

These authorizations are valid until the next ordinary General meeting of the company in 2020, but no longer than 30 June 2020.

The Company has historically not distributed dividends and is not expected to do so in the nearby future.

4) Equal treatment of shareholders and transactions with close associates

There is only one class of shares in the Company and all shares carry equal rights. The Company shall ensure equal treatment of its shareholders.

Any transactions, agreements or arrangements between the Company and its shareholders, members of the Board, members of the executive management team or close associates of any such parties shall only be entered into as part of the ordinary course of business and on arms length market terms. All such transactions shall comply with the procedures set out in the Norwegian Public Limited Liability Companies Act. In case of a transaction with close associates that is not part of ordinary course of business, the Board shall arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or arrangement in question must be considered to be immaterial. The Company's financial statements shall provide further information about transactions with related parties. There have been no such transactions in the financial year.

Board Members and members of the executive management team shall immediately notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

5) Shares and negotiability

The shares in the Company shall be and are freely transferable.

6) General meetings

All shareholders have the right to participate in the General Meetings of the Company, which exercise the highest authority of the Company.

The full notice for General Meetings shall be sent to the shareholders no later than 21 days prior to the meeting. The notices for such meetings shall include documents providing the shareholders with sufficient detail in order for the shareholders to make an assessment of all the cases to be considered as well as all relevant information regarding procedures of attendance and voting. The Board and the Company's auditor shall be present at General Meetings. Directors of the Board and the CEO have the right to attend and speak at General meetings. The Chair of the Board and CEO shall attend General Meetings unless the General Meeting in each case decides otherwise (the Companies Act Section 5-5).

The Chair of the Nomination Committee, or a person authorized by the Chair, shall present the Committee's recommendations for the Annual General Meeting, and give an account of the reasons for its recommendations.

Notices for General Meeting shall provide information on the procedures shareholders must observe in order to participate in and vote at the General Meeting. The notice should also set out:

i. the procedure for representation at the meeting through a proxy, including a form to appoint a proxy,

and

ii. the right for shareholders to propose resolutions in respect of matters to be dealt with by the General Meeting.

The cut-off for confirmation of attendance shall be set as short as practically possible and the Board will arrange matters so that shareholders who are unable to attend in person, will be able to vote by proxy. The form of proxy will be distributed with the notice.

The Code of Practice stipulates that the board of directors should ensure that the general meeting is able to elect an independent chairman at General meetings. Ultimovacs' Corporate Governance Policy deviates from this recommendation by not having such an arrangement in place, both for practical reasons and due to the size of the company.

7) Nomination committee

The Company has a Nomination Committee as set out in Section 11 and Appendix 1 in the Corporate Governance Policy. Members and Chairman of the Nomination Committee shall be elected by the General Meeting. At the outset, the Nomination Committee should consist of three members unless special circumstances suggest a different number of members.

The members of the Nomination Committee should be selected to take into account the interests of shareholders in general. The majority of the Nomination Committee should be independent of the Board and the executive management team. No more than one Board Member should serve on the Nomination Committee and only if such Board Member is not a candidate for re-election to the Board. Members of the executive management team should not be members of the Nomination Committee. Instructions for the Nomination Committee shall be approved by the Company's General Meeting.

The Annual General Meeting stipulates the remuneration to be paid to the Nomination Committee. The Nomination Committee's expenses shall be covered by the Company.

The Nomination committee as per 31 December 2019 consists of:

- Ole Kristian Hjelstuen (Chair)
- Hans Peter Bøhn (Member)
- Jakob Iqbal (Member)

All three members are independent of the board and the executive management team.
The nomination committee shall present proposals to the General Meeting regarding election of the Chair of the Board, Board Members and any deputy members of the Board. The nomination committee shall also present proposals to the General Meeting for remuneration of the Board and any sub-committees of the Board.
The Nomination Committee shall justify its recommendations and provide relevant information about the candidates. Any dissenting votes shall be stated in the recommendation.
In its work, the Nomination Committee may contact shareholders, members of the Board, the management and external advisers. Shareholders should be given the opportunity to propose Board member candidates to the Nomination Committee.

8) Board of directors: composition and independence

The Board of Directors is elected by the General Assembly. In appointing members to the Board, it is emphasised that the Board shall have the requisite competency to independently evaluate the cases presented by the executive management team as well as the Company's operation. It is also considered important that the Board can function well as a body of colleagues. Board Members shall be elected for periods not exceeding two years at a time, with the possibility of re-election. Board Members shall be encouraged to own shares in the Company.

The Board shall comply with all applicable requirements as set out in the Norwegian Public Limited Liability Companies, Act, the listing rules of Oslo Børs and the recommendations set out in the Norwegian Code of Practice for Corporate Governance.

The Board of Directors consists of seven members, of which four men and three women. Two board members are regarded as fully independent of the main shareholders. Each board member is presented in the next section of this report and on the company website.

9) The work of the Board of Directors

The Board shall prepare an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility shall be:

i. participating in the development and approval of the Company's strategy,
ii. performing necessary monitoring functions and
iii. acting as an advisory body for the executive management team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operations of the Company are in compliance with the Company's values and ethical guidelines. The Chair of the Board shall be responsible for ensuring that the Board's work is performed in an effective and correct manner.

The Board shall ensure that the Company has a good management with clear internal distribution of responsibilities and duties. A clear division of work has been established between the Board and the executive management team. The CEO is responsible for the executive management of the Company.

All members of the Board shall regularly receive information about the Company's operational and financial development. The Company's strategies shall regularly be subject to review and evaluation by the Board.

The Board shall prepare an annual evaluation of its work.

The Board met 13 times in 2019. There has been more meeting activity than usual due to the IPO and listing process on Oslo Stock Exchange.

Compensation Committee

The Company does not have a separate compensation committee. However, the Board of Directors will take upon themselves the role and tasks that a separate committee would have had. The main agenda related to compensation in 2019 was to prepare and implement the new share-option incentive plan for all of Ultimovacs' employees which was ultimately implemented on the date of the IPO, 3 June 2019. Representatives of Board of Directors met several times with the Company's management during this process in 2019. The Board of Directors acting as a compensation committee will continue to review this employee incentive plan, as well as the remuneration of the executive management.

Audit Committee
The Company shall have an audit committee in accordance with the rules of the Norwegian Public Limited Liability Companies Act and the listing rules of the Oslo Stock Exchange from the date decided by the Board of Directors. The Audit Committee's main function is to be a working committee for the Board, preparing matters and acting in an advisory capacity for the Company's finance function. In addition, the committee will ensure that the auditor is independent and to ensure that the annual accounts give a fair picture of the Group's financial results and financial condition in accordance with generally accepted accounting practice. The Audit Committee shall receive reports on the work of the external auditor and the results of the audit.

An audit committee was established in the second half of 2019 consisting of board members Leiv Askvig and Kristin L. A. Wilhelmsen, both with prior relevant financial and accounting experience. The members shall be and are independent of the Company's senior management.

The committee met with the auditor and financial management in Ultimovacs before the publication of the H1-2019 report, and with the financial management again before the Q3-19 and Q4-19 report. The audit committee will continue to meet with Ultimovacs' financial management and, at least twice a year, also the Company's audit partner before publication of quarterly and full year results.

Although the Company does not have a separate Ethics Committee, the members of the Audit committee have been involved in the drafting and review of the Corporate Social Responsibility Guidelines which was approved by the Board of Directors on 4 December 2019.

10) Risk management and internal control
As set out in the corporate governance guidelines of Ultimovacs, the board of directors shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The internal control and the systems shall also encompass the Company's corporate values and ethical guidelines. The objective of the risk management and internal control shall be to manage exposure to risks in order to ensure successful conduct of the Company's business and to support the quality of its financial reporting.

The Board shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. The Board shall also focus on the need for developing ethical guidelines ensuring that employees can safely communicate to the Board matters related to illegal or unethical conduct by the Company. The Board shall ensure that the Company has the necessary routines with respect to hired personnel to ensure that any outsourced functions are handled in a satisfactory manner. The Board is given information on the current business performance and risk situation in board meetings on a regular basis, which is also presented in quarterly reports made publicly available.

It is of the greatest importance to the Company that all information which could influence the value of the shares or other financial instruments related to the shares is handled with confidentiality and communicated to the market in accordance with all financial market regulations.

The Board shall provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting. The list of primary risk factors and how they are mitigated are provided in the "Risk and uncertainties"-section in this Annual report. The company's finance function is responsible for the preparation of financial statements and reports, and that these are in accordance with IFRS and other applicable laws and regulations. These are also reviewed by the audit committee. In addition, the annual financial statements are reviewed by the company auditor.

The Company has established mechanisms to prevent and address corruption, fraud, bribery and other irregularities including internal channels for reporting. Such internal channels shall, if required, protect the identity of the reporter.

11) Remuneration of the Board of Directors

The General Meeting shall annually determine the Board's remuneration. Remuneration of Board Members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the enterprise. The Board shall be informed if individual Board Members perform other tasks for the Company than exercising their role as Board Members. Work in sub-committees may be compensated in addition to the remuneration received for Board membership.

The Company's financial statements shall provide information regarding the Board's remuneration, please see note 4 for Board of Directors' remuneration.

12) Remuneration of the executive management

The Board decides the salary and other compensation to the CEO within any legal boundaries set out in the annual statement on compensation to the CEO and executive management as approved by the Company's General Meeting. Any fringe benefits shall be in line with market practice, and should not be substantial in relation to the CEO's basic salary. The Board shall annually carry out an assessment of the salary and other remuneration to the CEO.

The Company's financial statements shall provide further information about salary and other compensation to the CEO and the executive management team.

The CEO determines the remuneration of executive employees. The Board shall issue guidelines for the remuneration of the executive management team for approval by the General Meeting. The guidelines shall lay down the main principles for the Company's management remuneration policy. The salary level should not be of a size that could harm the Company's reputation, or above the norm in comparable companies. The salary level should, however, ensure that the Company can attract and retain executive employees with the desired expertise and experience.

The executive management does not have bonus arrangements or separate incentive schemes, but takes part in the general share option incentive scheme which applies to all employees in the Group. The number of share options distributed to the executive management is listed in note 15 in the Annual Financial Statement. Main objectives of the share value based incentive scheme are to align interests of shareholders and management/employees (value creation and risk taking) and ensure competitive compensation for management/employees and motivation to stay (retention). The remuneration guidelines are included in note 4 to the financial statement.

13) Information and Communications

The Board and the executive management team assign considerable importance to giving the shareholders quick, relevant and current information about the Company and its activity areas. Emphasis is placed on ensuring that the shareholders receive identical and simultaneous information.

Sensitive information will be handled internally in a manner that minimises the risk of leaks. All material contracts to which the Company becomes a party, shall contain confidentiality clauses.

The Company shall have clear routines for who is allowed to communicate on behalf of the Company on different subjects, and who shall be responsible for submitting information to the market and investor community. The CEO and CFO shall be the main contact persons of the Company in such respect.

The Board should ensure that the shareholders are given the opportunity to make known their points of view at and outside of the General Meeting.

Financial information is published on a quarterly basis, in addition to the Annual Financial Statements. The financial information is made available on the company website as well as through distribution on Newsweb (Oslo Stock Exchange's public information system). A financial calendar is published annually on the same channels listing important dates such as publications of quarterly and annual reports and dates of General meetings.

14) Take-overs

In a take-over process, the Board and the executive management team each have an individual responsibility to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Board has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board shall ensure that:

a) the Board will not seek to hinder or obstruct any takeover bid for the Company's operations or shares unless there are particular reasons for doing so;
b) the Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
c) the Board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
d) the Board must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Norwegian Code of Practice for Corporate Governance. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether or not the shareholders should accept the bid.

15) Auditor

The Company's auditor is Ernst & Young AS and has been the Company's auditor since the financial year 2015.

Each year the auditor shall present to the Board a plan for the implementation of the audit work and a written confirmation that the auditor satisfies established requirements as to independence and objectivity.

The auditor shall be present at Board meetings where the annual accounts are on the agenda. Whenever necessary, the Board shall meet with the auditor to review the auditor's view on the Company's accounting principles, risk areas, internal control routines etc.

The auditor may only be used as a financial advisor to the Company provided that such use of the auditor does not have the ability to affect or question the auditors' independence and objectiveness as auditor for the Company. Only the Company's CEO and/or CFO shall have the authority to enter into agreements in respect of such counselling assignments.

In connection with the auditor's presentation to the Board of the annual work plan, the Board should specifically consider if the auditor to a satisfactory degree also carries out a control function.

The Board shall arrange for the auditor to attend all General Meetings and certain audit committee meetings.

The Board of Directors

Jònas Einarsson has been the Chairman of the Board since 2018 and has served as a Board Member since 2011. Mr. Einarsson has over 30 years of experience in the medical industry and is currently the CEO of Radium Hospital Research Foundation, which position he has held since 2000. Mr. Einarsson was a general practitioner and health director of the Lardal municipality from 1991 until 2000 and was general manager of Oslo Private Hospital from 1984 until 1991.

Mr. Einarsson is educated as a Medical Doctor (MD) from the Reykjavik University, Iceland and the University of Oslo, Norway.

Leiv Askvig has served as a Board Member since 2015, and is currently also a member of the Audit Committee. Mr. Askvig is an Investment Advisor for Sundt AS, and served as their CEO from 2003 to 2020. Mr. Askvig has vast experience within the financial industry. He was CEO/CFO at Opticore AB from 2001 until 2002, CFO at StudentUniverse, Inc. from 1999 until 2001 and has held various positions within investment banking at Sundal Collier & Co ASA (now “ABG Sundal Collier”).

Mr. Askvig holds a bachelor degree in Business Administration from BI Norwegian Business School and attended the Advanced Management course at Harvard Business School.

Kristin Louise Abrahamsen Wilhelmsen has served as a Board Member since 2016, and is currently also a member of the Audit Committee. Ms. Wilhelmsen has over 25 years of entrepreneurial experience, in particular within the healthcare industry. She is currently CFO of WAK Family Office AS, which position she has held since 2015 and general manager of Flexiteek International AS, which position she has held since 2011. Ms. Wilhelmsen was an independent director at First Fondene AS from 2012 until 2016, Agasti Holding ASA from 2014 until 2015 and Weifa ASA from 2015 until 2017.

Ms. Wilhelmsen holds a Bachelor of Art from Lund University, Sweden.

Ketil Fjerdingen has served as a Board Member since 2012 and was the Chairman of the Board of Directors from 2012 until 2018. Mr. Fjerdingen has, since 2002, been involved in investments and property development projects through a range of small single purpose companies. Prior to this, he held various executive management roles with companies including VI Partners AS, Mobile Media, Ernst & Young and Fokus Bank ASA.

Mr. Fjerdingen holds the degree of Certified Public Accountant from NHH Norwegian School of Economics.

The Board of Directors

Henrik Schüssler has served as a Board Member since 2015. Mr. Schüssler is the CEO and board member of Gjelsten Holding AS, which position he has held since 2000. Mr. Schüssler was CEO and CFO at Norway Seafoods ASA from 1995 until 2000 and accountant/ consultant at Ernst & Young AS from 1987 until 1995.

Mr. Schüssler holds a Bachelor of Chartered Accounting from BI Norwegian Business School.

Kari Grønås has served as a Board Member since 2019. Kari Grønås has broad experience from the pharmaceutical/biotech industry. She has extensive experience in drug development and commercialization within the pharmaceutical industry of new breakthrough products securing regulatory approvals, i.e. Xofigo, Hexvix. Grønås also holds significant leadership and management experience including leadership of cross functional and governance teams from Bayer/Algeta ASA, PhotoCure and Nycomed Imaging/ Amersham Health (Now GE Healthcare). Today she is a consultant within the sector and holds board positions in Spago Nanomedical AB, SoftOx AS and The Norwegian Lung Cancer Society.

Ms. Grønås holds a Cand. Pharm. degree from the University of Oslo.

Eva S. Dugstad has served as a Board Member since 2019. Ms. Dugstad is currently Director for Business Development in The Norwegian Radium Hospital Research Foundation, which is a position she has held since 2017. Her previous appointments include the President and the Exec. Vice President at the Institute for Energy Technology (IFE), where she also was the chair of the board for IFE Venture, which commercialized IFE's research results. Ms. Dugstad has been involved in various boards in both public and private sector and in several public expert panels.

Ms. Dugstad holds a Cand. Pharm. degree from the University of Oslo.

Contents - Consolidated Financial Statement

Consolidated statement of profit and loss and other comprehensive income

(NOK 1000) EXCEPT PER SHARE DATA	NOTES	2019	2018
Total revenues		**-**	**-**
Payroll and payroll related expenses	3, 4, 15	(20 160)	(27 078)
Depreciation and amortisation	9	(2 063)	(601)
Other operating expenses	3, 5	(43 995)	(28 844)
Total operating expenses		**(66 217)**	**(56 522)**
Operating profit (loss)		**(66 217)**	**(56 522)**
Financial income	6	5 631	1 376
Financial expenses	6	(580)	(134)
Net financial items		**5 051**	**1 243**
Profit (loss) before tax		**(61 166)**	**(55 280)**
Income tax expense	7	-	-
Profit (loss) for the year		**(61 166)**	**(55 280)**
Items that subsequently may be reclassified to profit or loss:			
Exchange rate differences on translation of foreign operations		(672)	2 888
Total comprehensive income (loss) for the year		**(61 838)**	**(52 392)**
Basic and diluted earnings (loss) per share (NOK per share)	8	(2.7)	(3.5)

Consolidated statement of financial position

(NOK 1000)	NOTES	2019	2018
ASSETS			
Non-current assets			
Goodwill	9, 18	10 851	10 981
Licenses	9, 18	52 675	53 307
Patents	9	2 844	3 111
Property, plant and equipment	9	536	736
Right of use assets	14	3 523	-
Total non-current assets		**70 430**	**68 136**
Current assets			
Receivables and prepayments	3, 10	8 004	6 184
Cash and cash equivalents	11	399 607	115 540
Total current assets		**407 611**	**121 724**
TOTAL ASSETS		**478 041**	**189 860**
EQUITY AND LIABILITIES			
Equity			
Share capital		2 786	641
Share premium		656 692	314 256
Total paid-in equity		**659 478**	**314 897**
Accumulated losses		(219 047)	(157 881)
Other equity		1 985	-
Translation differences		2 216	2 888
TOTAL EQUITY	12	**444 633**	**159 904**
Non-current liabilities			
Lease liability	14	2 301	-
Deferred tax	7, 18	10 851	10 981
Total non-current liabilities		**13 152**	**10 981**
Current liabilities			
Lease liability	14	1 325	-
Accounts payable		11 768	2 978
Other current liabilities	15, 16	7 164	15 996
Total current liabilities		**20 257**	**18 975**
TOTAL LIABILITIES		**33 409**	**29 956**
TOTAL EQUITY AND LIABILITIES		**478 041**	**189 860**

Board of Directors and CEO of Ultimovacs ASA

Oslo, 1 April 2020

Sign	Sign	Sign
Jónas Einarsson Chairman of the Board	**Kari Grønås** Board member	**Eva S. Dugstad** Board member
Sign	Sign	Sign
Henrik Schüssler Board member	**Ketil Fjerdingen** Board member	**Leiv Askvig** Board member
Sign		Sign
Kristin L. A. Wilhelmsen Board member		**Øyvind Kongstun Arnesen** CEO

Consolidated statement of cash flow

(NOK 1000)	NOTES	2019	2018
Cash flow from operating activities			
Profit (loss) before tax		**(61 166)**	**(55 280)**
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and amortisation	9	2 063	601
Interest received including investing activities	6	(4 490)	(1 247)
Net foreign exchange differences	6	224	10
Other financial expenses	14	258	-
Share option expenses	15	1 985	-
Working capital adjustment:			
Changes in prepayments and other receivables	10	(1 820)	(1 102)
Changes in payables and other current liabilities	16	(42)	6 630
Net cash flow from operating activities		**(62 989)**	**(50 389)**
Cash flow from investing activities			
Purchase of property, plant and equipment	9	(172)	(513)
Acquisition of subsidiary	18	-	(4 586)
Interest received	6	4 490	1 247
Net cash flow from investing activities		**4 318**	**(3 851)**
Cash flow from financing activities			
Proceeds from issuance of equity	12	370 000	-
Share issue cost	12	(25 418)	-
Interest paid	14	(258)	-
Payment of lease liability	14	(1 321)	-
Net cash flow from financing activities		**343 002**	-
Net change in cash and cash equivalents	11	284 332	(54 240)
Effect of change in exchange rate	6	(265)	(28)
Cash and cash equivalents, beginning of period	11	**115 540**	**169 808**
Cash and cash equivalents, end of period		**399 607**	**115 540**

Consolidated statement of changes in equity

(NOK 1000)	NOTES	SHARE CAPITAL	SHARE PREMIUM	TOTAL PAID IN CAPITAL	ACCU-MULATED LOSSES	OTHER EQUITY	TRANS-LATION DIFFER-ENCES	TOTAL EQUITY
Balance as of 1 January 2018		**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	12			**-**				**-**
Balance as of 31 December 2018		**641**	**314 256**	**314 897**	**(157 881)**	**-**	**2 888**	**159 904**
Profit (loss) for the year				**-**	(61 166)			**(61 166)**
Other comprehensive income (loss)				**-**				**-**
Translation differences				**-**			(672)	**(672)**
Issue of share capital	12	2 145	367 855	**370 000**				**370 000**
Share-issue costs	12		(25 418)	**(25 418)**				**(25 418)**
Recognition of share-based payments	15			**-**		1 985		**1 985**
Balance as of 31 December 2019		**2 786**	**656 692**	**659 478**	**(219 047)**	**1 985**	**2 216**	**444 633**

Note 1: General information

Ultimovacs ASA (the Company or Ultimovacs) and its subsidiary (together the Group) is a pharmaceutical Group developing novel immunotherapies against cancer. The company is a public limited liability company listed on the Oslo Stock Exchange in Norway. 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 was established in 2011, and the company and its proprietary technology is based on pre-clinical and clinical research on immunotherapies conducted at the Oslo University Hospital.

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 1 April 2020.

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 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 Group's accounting policies.

II. Going concern
The financial statements for 2019 have been prepared under the going concern assumption.

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 is included under cash flow from financing activities, and interest received is included in 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.

Note 2: Accounting principles (continued)

iii. Financial instruments
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:

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

All other assets are classified as non-current. A liability is current when:

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

The 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 the 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.

Note 2: Accounting principles (continued)

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.

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.

Note 2: Accounting principles (continued)

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. IFRS 16 Leases

Effective January 1, 2019, the Group applied IFRS 16 using the modified retrospective approach and therefore the comparable information has not been restated and continues to be reported under IAS 17. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to us. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for all leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases Under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied recognition exemptions to leases that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option.
- Applied the low value lease exemption not to recognize right-of-use assets at the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability and are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Ultimovacs' incremental borrowing rate. The incremental borrowing rate is used as the discount rate.

Note 2: Accounting principles (continued)

When applying the practical expedients in IFRS 16 for lease-contracts with low value or lease terms of less than 12 months, the lease payments (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 the 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 cash-settled transaction incentive scheme was terminated in FY19. 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 payroll and payroll related expenses. 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 in a business combination 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.

Note 2: Accounting principles (continued)

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.

- 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.

- 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.

Note 3: Government grants

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

GRANTS RECOGNISED (NOK 1 000)	2019	2018
Skattefunn	5 277	4 946
BIA grants from The Research Council of Norway (Forskningsrådet)	-	496
Eurostars	2 344	285
Industrial Ph.D. grant from The Research Council of Norway (Forskningsrådet)	157	-
Innovation Norway (Innovasjon Norge)	-	60
Total grants	**7 778**	**5 787**

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:

COSTS DEDUCTED (NOK 1 000)	2019	2018
Payroll and payroll related expenses	2 476	1 860
Other operating expenses	5 302	3 927
Total costs deducted	**7 778**	**5 787**

Grants receivable as per 31 December are detailed as follows:

GRANTS RECEIVABLES (NOK 1 000)	2019	2018
Skattefunn	5 277	4 946
Eurostars	363	285
The Research Council of Norway (Forskningsrådet)	157	-
Total grants receivables	**5 797**	**5 231**

Skattefunn:
The Skattefunn R&D tax incentive scheme is a government program designed to stimulate research and development in Norwegian. As of 31 December 2019, 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 immunotherapy against cancer (2018 - 2021)
- Novel cancer immunotherapy (2019 - 2022)

Eurostars:
Eurostars is a joint program 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 administered by Forskningsrådet in Norway. Ultimovacs has been awarded financial support for the project “Validation of a novel immune response capturing platform for immunotherapy development and monitoring” from 2018 to 2021.

The Research Council of Norway (Forskningsrådet):
The industrial Ph.D. project is a collaboration between Ultimovacs ASA, located in Oslo Cancer Cluster Science Park, Oslo University Hospital and the University of Oslo. The Ph.D. candidate for this project is employed by Ultimovacs. The project aims to characterize the immunological mechanisms induced by treatment with a peptide-based therapeutic cancer vaccine.

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

Note 4: Salary and personnel expenses and management remuneration

PAYROLL AND PAYROLL RELATED EXPENSES (NOK 1 000)	2019	2018
Salaries and holiday pay	24 545	18 740
Social security tax	4 076	2 919
Pension expenses	1 798	1 448
Share-based compensation	(8 222)	5 416
Other personnel expenses	437	415
Government grants	(2 476)	(1 860)
Total payroll and payroll related expenses	**20 160**	**27 078**
Number of FTEs employed during the financial year	16.5	11.8
Number of employees at end of year	19	16

The Group's Management team consists of the Company's CEO, CFO and the managers of each department, totalling eight employees (all in 100% positions except for Gunilla Ekström holding a 60% position).

MANAGEMENT REMUNERATION 2019 (NOK 1 000)	SALARY	BENEFITS IN KIND	SHARE OPTIONS [1]	PENSION COST	TOTAL REMUNERATION
Øyvind Arnesen (CEO)	2 497	207	256	86	**3 046**
Hans Vassgård Eid (CFO)	2 166	274	223	85	**2 747**
Jens Egil Torbjørn Bjørheim (CMO)	1 711	264	189	84	**2 249**
Audun Tornes (COO)	1 390	205	135	85	**1 815**
Gudrun Trøite (Dir. of Reg. affairs and QA)	1 280	4	135	84	**1 504**
Ingunn Hagen Westgaard (Head of R&D)	1 302	4	135	85	**1 527**
Øivind Foss (Head of Clinical Operations)	1 434	4	135	84	**1 657**
Gunilla Ekström (Mng Dir. Ultimovacs AB)	746	-	82	303	**1 131**
Total remuneration	**12 527**	**962**	**1 291**	**896**	**15 676**

1) IFRS cost in relation to share option plan, not exercised. Refer to note 15 for more information regarding the allocated and outstanding share options.

BOARD OF DIRECTORS' REMUNERATION 2019 (NOK 1 000)	SALARY	BENEFITS IN KIND	SHARE OPTIONS	PENSION COST	TOTAL REMUNERATION
Jónas Einarsson (Chairman of the Board)	275	-	-	-	**275**
Bjørn Rune Gjelsten (Board member)	138	-	-	-	**138**
Ketil Fjerdingen (Board member)	138	-	-	-	**138**
Leiv Askvig (Board member)	138	-	-	-	**138**
Henrik Schüssler (Board member)	138	-	-	-	**138**
Ole Kristian Hjelstuen (Board member)	138	-	-	-	**138**
Kristin L.A. Wilhelmsen (Board member)	138	-	-	-	**138**
Kari Grønås (Board member)	-	-	-	-	**-**
Eva S. Dugstad (Board member)	-	-	-	-	**-**
Total remuneration	**1 100**	**-**	**-**	**-**	**1 100**

On the annual General Assembly held on the 4 April 2019, Bjørn Rune Gjelsten and Ole Kristian Hjelstuen were replaced by Kari Grønås and Eva S. Dugstad as board members.

Note 4: Salary and personnel expenses and management remuneration (continued)

MANAGEMENT REMUNERATION 2018 (NOK 1 000)	SALARY	BENEFITS IN KIND	SHARE OPTIONS [2]	PENSION COST	TOTAL REMUNERATION
Øyvind Arnesen (CEO)	2 410	198	-	91	**2 699**
Hans Vassgård Eid (CFO)	2 041	255	-	89	**2 385**
Jens Egil Torbjørn Bjørheim (CMO)	1 620	258	-	89	**1 967**
Audun Tornes (COO)	1 372	189	-	90	**1 651**
Gudrun Trøite (Dir. of Reg. affairs and QA)	1 164	4	-	86	**1 255**
Ingunn Hagen Westgaard (Head of R&D)	1 203	4	-	89	**1 297**
Øivind Foss (Head of Clinical Operations)	1 376	4	-	88	**1 469**
Gunilla Ekström (Mng Dir. Ultimovacs AB)	260	-	-	101	**361**
Total remuneration	**11 447**	**914**	**-**	**723**	**13 084**

BOARD OF DIRECTORS' REMUNERATION 2018 (NOK 1 000)	SALARY	BENEFITS IN KIND	SHARE OPTIONS	PENSION COST	TOTAL REMUNERATION
Ketil Fjerdingen (Chairman of the Board)	275	-	-	-	**275**
Bjørn Rune Gjelsten (Board member)	138	-	-	-	**138**
Jónas 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 L.A. Wilhelmsen (Board member)	138	-	-	-	**138**
Total remuneration	**1 100**	**-**	**-**	**-**	**1 100**

2) As the company was not listed until 2019, it was not possible to calculate an actual fair value of the synthetic shares in 2018, and therefore not taken into account when calculating management remuneration in 2018. Forfeited without value in 2019. Ref note 15

On the annual General Assembly held on the 5 March 2018, Jónas Einarsson was elected as Chairman of the Board, replacing Ketil Fjerdingen.

A total of 17.306 synthetic shares (of which 3,000 held by the CEO and 9,400 held by the rest of the management team) which were allocated to employees in the Group, were settled without value in June 2019, which resulted in a gain of MNOK 10.2. An option-based share based payment scheme commenced in June 2019 applying for all employees. Please refer to note 15 regarding both the terminated synthetic share scheme and the new option-based incentive scheme.

There were no outstanding loans or guarantees made to related parties, the Board of Directors, the Management Team or any other employees as of 31 December 2019 or as of 31 December 2018.

Pensions
Ultimovacs ASA 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 2019, all seventeen of Ultimovacs ASA'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 total pension contributions for all employees recognised as expenses equalled MNOK 1.8 and MNOK 1.4 in 2019 and 2018 respectively.

Note 4: Salary and personnel expenses and management remuneration (continued)

Main principles of management remuneration
Pursuant to the Norwegian Public Limited Liability Companies Act, section 6-16 a, the Board annually presents a statement regarding remuneration of Ultimovacs' Management to the General Meeting.

These guidelines shall lay down the main principles for the Company's management remuneration policy. The main principles regarding management remuneration are described below:

Fixed salary

The fixed salary (annual gross salary before tax and before calculation of variable salary and other additional benefits) should reflect the individual's area of responsibility and be the main element of the managers' regular compensation. The base Management salary must be competitive in order to attract and retain the most attractive managers. The salary level should not be of a size that could harm the Company's reputation, or significantly above the norm for employees with similar background and in similar positions in comparable companies. The salary level should, however, ensure that the Company can attract and retain executive employees with the desired expertise and experience. Any fringe benefits shall be in line with market practice and should not be substantial in relation to the basic salary.

Other benefits

Bonus
There is no bonus scheme in the Group, however, sign-on-fees and bonus may be applied on the Board's discretion.

Pension
CEO and Management in the Norwegian entity participate in a defined contribution pension plan with the same terms as all other employees in the Norwegian entity. The annual accrual is currently 6% of the annual base salary from 0 G to 7 G and 10% from 7G to 12 G (G = the basic amount in the National Insurance scheme in Norway, as of 1 May 2019 G = NOK 98,866). The Managing Director of the Swedish entity is entitled to a defined contribution pension plan where the annual accrual is currently 35% of the annual salary.

Share Options
The executive management takes part in the general share option incentive scheme which applies to all employees in the Group. The number of share options currently distributed to the executive management is listed in note 15 in the Annual Financial Statement for 2019. Main objectives of the share value based incentive scheme are to align interests of shareholders and management/employees (value creation and risk taking) and ensure competitive compensation for management/employees and motivation to stay (retention).

The share option program was approved by the General Assembly on 2 May 2019 and the Board was authorized to increase the Group's share capital in connection with share incentive arrangement by up to 10%.

The share option program includes all employees in the Group. Vesting requires the option holder still to be an employee in the Company. Key parameters in the option program currently include the following:

- an exercise price set as the volume weighted average of observed market price of the Company's shares the last 5 days prior to the issue of the options,
- 5 years duration of the options, and
- a vesting schedule of 25%/25%/50% after 1/2/3 years.

Separate arrangements may be made with individual employees.

The Board of Directors will review the option scheme annually and allocate share options within the framework approved by the General Assembly on 2 May 2019.

Severance pay/pay after termination of employment
In certain conditions, the CEO is entitled to 12 months' severance pay. For the new CEO starting in June 2020, the severance pay period will be extended to 18 months if the termination of the CEO takes place in connection with a change of control event in the Company.

The company's CFO is entitled to receive pay after 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.

Other benefits
The CEO and some individuals in the Management team get car allowance or coverage of costs for leasing of cars in private use.

The new CEO starting in June 2020 has an agreement whereby the Company will cover the lease for an apartment in Oslo up to a certain monthly amount.

Benefits to the Management Team may include certain other items such as group life insurance, health care insurance, travel insurance, etc. on customary terms.

The Management does not have any other separate fringe benefits of any significance.

Statement on the executive employee remuneration policy during the previous financial year
The executive compensation for the fiscal year 2019 has been in accordance with the above-mentioned information and the guidelines for 2020.

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 1 000)	2019	2018
External R&D expenses	35 528	16 957
Clinical studies	24 042	7 876
Manufacturing costs	5 640	6 793
Other R&D expenses	5 847	2 289
Patent related expenses	2 712	2 444
Rent, office and IT	2 333	2 729
Accounting, audit, legal, consulting	3 658	6 641
Other operating expenses	5 066	4 000
Less government grants	(5 302)	(3 927)
Total operating expenses	**43 995**	**28 844**

Estimated total expenses related to R&D, including other operating expenses, payroll and payroll related expenses, less government grants, amounted to MNOK 31.3 in 2018 and MNOK 55.3 in 2019.

SPECIFICATION AUDITOR'S FEE (NOK 1 000)	2019	2018
Statutory audit	244	173
Audit related services	42	135
Tax related services	60	38
Other	68	433
Total auditor's fee	**413**	**780**

VAT is not included in the fees specified above.

Note 6: Financial items

FINANCIAL INCOME (NOK 1 000)	2019	2018
Interest income	5 539	1 257
Foreign exchange gains	92	119
Total financial income	**5 631**	**1 376**

FINANCIAL EXPENSES (NOK 1 000)	2019	2018
Foreign exchange losses	317	-
Other financial expenses	263	133
Total financial expenses	**580**	**134**

Note 7: Income tax

TAX EXPENSE BASIS (NOK 1 000)	2019	2018
Profit (loss) before tax	(61 166)	(55 280)
Net non-deductible income	(5 302)	(2 339)
Other items*	(25 418)	-
Change in temporary differences	(10 091)	5 447
Basis for tax calculation	**(101 977)**	**(52 171)**

INCOME TAX EXPENSE (NOK 1 000)	2019	2018
Expected tax expense	13 392	12 661
Net non-deductible income	1 166	538
Other items	5 592	-
Change in deferred tax assets not recognised	(20 150)	(11 402)
Effect from changes in tax rate	-	(1 797)
Income tax expense	**-**	**-**

* The share issue cost of MNOK 25.4 in 2019 was deducted directly from equity and is included in the basis for tax calculation as the tax-effect is charged directly to equity.

The corporate tax rate in Norway was 23% in 2018 and was reduced to 22% as of 2019. The corporate tax rate in Sweden was 22% in 2018 and reduced to 21.4% in 2019. The tax rate will again be reduced to 20.6% as of 2021, which is the basis of the deferred tax calculation for Ultimovacs AB.

INCOME TAX EXPENSE (NOK 1 000)	2019	2018
Tax losses carried forward	273 837	171 860
Temporary differences - share based payment liability	-	10 207
Temporary differences - licenses	(52 675)	(53 307)
Temporary differences - PP&E	8	(108)
Temporary differences and tax loss carry forward	**221 169**	**128 651**
Deferred tax assets - not recognised in statement of financial position	**60 150**	**40 000**
Deferred tax assets per 31 December	**(10 851)**	**(10 981)**

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 and temporary differences as per 31 December was MNOK 128.7 in 2018, and MNOK 221.2 (of which MNOK 6.8 in Ultimovacs AB) in 2019.

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 10.9 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.

The share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognized 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. Diluted and basic (undiluted) earnings per share is therefore the same.

EARNINGS PER SHARE	2019	2018
Profit (loss) for the year (NOK 1000)	(61 166)	(55 280)
Average number of outstanding shares during the year (1 000)	22 927	15 587
EPS - basic and diluted (NOK per share)	**(2.7)**	**(3.5)**

In the annual general meeting on 21 May 2019, a split of the shares was resolved so that one share with a nominal value of NOK 1 was split into 25 shares with a nominal value of NOK 0.10. The 2018 and 2019 figures in the overview above takes into account the share split in order to be comparable with the number of shares post-split.

When the Company was listed on the Oslo Stock exchange on 3 June 2019, 11,840,000 new shares were issued, increasing the total number of shares to 27,860,400.

In addition to the above, in accordance with the board's proposal, the general meeting approved the establishment of a new share option program. This program commenced on the day of listing, 3 June 2019, where 557,500 options, each giving a right to acquire one share, were allocated to the Group's employees.

See note 15 for more information regarding the option program.

Note 9: Non-current assets

NON-CURRENT ASSETS 2019 (NOK 1 000)	OFFICE AND LAB EQUIPM.	PATENTS	LICENSES	GOODWILL	TOTAL
Accumulated cost 1 Jan 2019	1 610	4 000	53 307	10 981	**69 898**
Additions	172	-	-	-	**172**
Cost at 31 December 2019	**1 782**	**4 000**	**53 307**	**10 981**	**70 070**
Accumulated depreciation and amortisation at 1 Jan 2019	(873)	(889)	-	-	**(1 762)**
Depreciations in the year	(373)	(267)	-	-	**(639)**
Accumulated depreciation and amortisation at 31 Dec 2019	**(1 246)**	**(1 156)**	-	-	**(2 402)**
Currency exchange effects	-	-	(632)	(130)	**(3 164)**
Carrying value at 31 Dec 2019	**536**	**2 844**	**52 675**	**10 851**	**66 907**

NON-CURRENT ASSETS 2018 (NOK 1 000)	OFFICE AND LAB EQUIPM.	PATENTS	LICENSES	GOODWILL	TOTAL
Accumulated cost 1 Jan 2018	1 097	4 000	-	-	**5 097**
Additions	513	-	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 Jan 2018	(539)	(622)	-	-	**(1 162)**
Depreciations in the year	(334)	(267)	-	-	**(601)**
Accumulated depreciation and amortisation at 31 Dec 2018	**(873)**	**(889)**	-	-	**(1 762)**
Carrying value at 31 Dec 2018	**736**	**3 111**	**53 307**	**10 981**	**68 136**
Economic life	3 years	15 years	indefinite	indefinite	
Depreciation method	linear	linear			

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 related to the same patents, 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 milestone payments will be capitilised in the balance sheet when paid to Inven2, and depreciated linearly until 2030. The patent period spans over 15 years and expires in 2030.

Licenses and Goodwill

Beyond UV1, which is the core product of the Ultimovacs group, 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 2019 to take the pharmaceutical product candidate to a decision point for further clinical development, given that the results from the preclinical program are positive.

Note 9: Non-current assets (continued)

Licenses and Goodwill (continued)
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 2021. 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 is subject for impairment.

Impairment of assets
1. IAS 36 seeks to ensure that an entity's assets are not carried at more than their recoverable amount.
2. Impairment means that asset has suffered a loss in value.
3. An asset is said to be impaired when its recoverable amount is less than its carrying amount.

Ultimovacs has both goodwill and intangibles with indefinite useful lives as at 31 December 2019. Under IAS 36, 'Impairment of assets', these assets are required to be tested annually for impairment irrespective of indictors of impairment. The intangible assets subject to impairment in the balance sheet are "Licenses", which are the basis for the TET/UV2 technology. The license agreement with Academisch Ziekenhuis Leiden and Technologiestichting STW gives Ultimovacs rights to commercial development, manufacture and sales of immunotherapy treatments against cancer utilizing the TET technology. The license agreement does not have expiration date, and the license is therefore defined to have indefinite useful life.

The Group also has goodwill created by deferred tax, which is a result of purchase price amount to acquire the licensed technology. The Goodwill is also tested for impairment annually. To test for impairment, goodwill must be allocated to each of the acquirer's cash-generating units (CGU), or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. The legal entities Ultimovacs ASA and Ultimovacs AB, together the Group, is defined as the CGU subject for impairment testing. Impairment testing of the Licenses and its corresponding goodwill will therefore be performed at Group level.

The legal entities Ultimovacs ASA and Ultimovacs AB, together the Group, is defined as two separate CGUs (Cash Generating Unit). As the synergy advantages arise at the combined group level, the goodwill will be allocated to the highest CGU–level in the Group, which is Ultimovacs ASA. The impairment testing of the Licenses and its corresponding goodwill will therefore be performed combined, as they are located in the same CGU.

Impairment test
In order to identify the Recoverable amount of the intangible assets, a value must be found for both Value in use and Fair value. The Value in use of an asset is the expected future cash flows that the asset in its current condition will produce, discounted to present value using an appropriate discount rate. Ultimovacs has chosen not to prepare a value in use calculation from the TET/UV2 technology as the estimates of future cash flows would be highly unreliable. Potential earnings are years ahead, and it would not be clear if these could come from direct sales, indirect sales or through licensing agreements. To prepare a forecast in order to obtain any value for the assets tested for impairments would not be reasonable and supportable.

Ultimovacs will therefore rely on the value from the Fair Value assessment, which normally is the market value at measurement date. No active market exists for comparison; thus the acquisition price, and book value, is considered as the fair value. The fair value, however, must be tested for factors which may reduce is value, function etc.

The following factors have been assessed when testing for impairment:

1. Market value declines: there is no indication that the value for adjuvants is in decline. Ultimovacs has few or no real alternatives to the adjuvant currently being used, GM-CSF.

Note 9: Non-current assets (continued)

2. Negative changes in technology, markets, economy, or laws: there is still an unmet need for more adjuvant solutions to be used with vaccines. Thus, the TET/UV2 technology may potentially be utilized in Ultimovacs' next generation vaccine, and it could also be sold to third parties. No other negative factors are observed in the markets.

3. Asset is idle, part of a restructuring or held for disposal: the UV2 project has commenced and the project plan is being followed. The first phase of the plan is to develop 1-5 product candidates of the UV2 prototype (short term goals) and identify 1-2 clinical trial lead candidate(s). When the first phase has been completed, a decision will be made to go into clinical development.

4. Worse economic performance than expected: Even though TET/UV2 is still far from bringing any cash inflows to the company, the technology will be highly valuable if the project is successful. Setting any value on the TET/UV2 technology using a CF model is of no real value/use at this very early stage of its research and development.

In addition, Management has undertaken a review of the company's business and the environment in which it operates, and concludes that there are no significant changes in the business or its environment now or in the future regarding:

- a decline in the market or price for products or services
- oversupply in markets for products or services
- problems in sourcing raw materials or services
- increases in the costs of production or delivering services
- changes in exchange rates affecting costs or sales
- new competitors
- new products or services from competitors
- technological change
- changes in law or regulations
- changes in economic conditions

An additional factor which could be an indicator for impairment of the non intangible assets would be if the total market capitalization of the Group was lower than the net asset value in the balance sheet. This does however, not necessarily mean that the asset is overvalued in the statement of financial position, but should be a trigger to test for impairment based on other parameters. Market capitalization for the Group was as per 31 December 2019, MNOK 1.092, significantly higher than the value of the assets being tested for impairment (MNOK 444.6). On the other hand, a market capitalization over the current book value, does not directly indicate that the value is present and no other testing is required, as most of the market value is primarily attributable to UV1. Market capitalization alone cannot therefore be the sole parameter for testing the asset for impairment, but should be additionally be composed of the factors discussed above. Based on the market capitalization as per 31 December 2019, there is no indication that the market values TET/UV2 lower than the current book value.

Although the list above is not exhaustive, we do not observe any new risk factors related to the technology which may reduce the value of the assets in the balance sheet.

The preclinical development of TET/UV2 is planned to be funded until an expected milestone in the second half of 2021. Then, if certain milestones are reached, additional funding will be needed for the next phase (mainly CMC development/manufacturing processes and clinical development). This critical decision point will be important when considering impairment of the intangible assets, as the asset could then be considered partly idle, reducing its value significantly.

Conclusion
In the impairment test performed, no indications of impairment were identified, which concludes that the recoverable amount of the intangible assets are higher than carrying value. Management assesses therefore 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. As a result, no impairment of these intangible assets has been identified or recognised as per 31 December 2019.

Note 10: Other receivables

OTHER RECEIVABLES (NOK 1 000)	2019	2018
Government grants receivables (ref note 3)	5 797	5 231
VAT receivables	564	468
Other receivables and prepayments	1 643	485
Total other receivables	**8 004**	**6 184**

Note 11: Cash and cash equivalents

CASH AND CASH EQUIVALENTS (NOK 1 000)	2019	2018
Employee withholding tax	1 318	978
Cash at bank	398 289	114 562
Cash and cash equivalents	**399 607**	**115 540**

As of 31 December 2019, cash and cash equivalents amounted to MNOK 399.6, of which MNOK 2.1 (MSEK 2.2) 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 2019 was NOK 2,786,040, with 27,860,400 ordinary shares with a nominal value of NOK 0.1. All issued shares have equal voting rights and the right to receive dividend. No dividend has been paid in the period. Ultimovacs ASA has over 2,000 shareholders as of 31 December 2019, with the 20 largest shareholders as of this date listed in a table below. The movement in the number of registered shares and share capital was as follows:

CHANGES TO SHARE CAPITAL	SHARE CAPITAL NUMBER OF SHARES	SHARE CAPITAL (NOK 1 000)
At 1 January 2018	606 160	606 160
Issuance of ordinary shares	34 656	34 656
At 31 December 2018	**640 816**	**640 816**
Share split	15 379 584	961 224
Issuance of ordinary shares (IPO)	11 840 000	1 184 000
At 31 December 2019	**27 860 400**	**2 786 040**

In relation to the acquisition of TET Pharma AB (Ultimovacs AB) in 2018, the purchase price for the company was partly paid in cash and partly in shares in Ultimovacs AS. Ultimovacs AS issued 34,656 new shares to the seller, Immuneed AB, as part of this payment. There were no transaction costs related to this share issue. Refer to note 18 regarding this transaction.

On 3 June 2019, Ultimovacs ASA was listed on the Oslo Stock Exchange through an initial public offering (IPO). In this process, the company carried out an equity issue raising gross proceeds of MNOK 370 by offering 11,840,000 new shares. The price per Offer Share was set at NOK 31.25, corresponding to market capitalisation of Ultimovacs at IPO of approximately MNOK 870. Costs directly attributed to the share issue have been deducted against equity, amounting to MNOK 25.4 for the whole IPO process, giving total net proceeds from the share issue MNOK 344.6 (compared to gross proceeds of MNOK 370.0).

Prior to the IPO, the existing shares were split 1x25, increasing the number of shares to 16,020,400 prior to the IPO. In addition, the nominal value per share was reduced from NOK 1 to NOK 0.1.

The transaction costs related to the share-issues amounted to MNOK 25.4 in 2019 and NOK 0 in 2018, and have been recognised against share premium. For computation of earnings per share and diluted earnings per share see Note 8.

Note 12: Share capital, shareholder information and dividend (continued)

THE 20 MAIN SHAREHOLDERS AS AT 31 DECEMBER 2019	NUMBER OF SHARES	OWNERSHIP INTEREST
Gjelsten Holding AS	5 747 599	20.6%
Canica AS	2 232 663	8.0%
Inven2 AS	2 021 775	7.3%
Watrium AS	1 620 925	5.8%
Radiumhospitalets Forskningsstiftelse	1 395 875	5.0%
Langøya Invest AS	1 226 325	4.4%
Helene Sundt AS	782 132	2.8%
CGS Holding AS	782 132	2.8%
SEB Prime Solutions Sissener Canopus	672 855	2.4%
Sundt AS	617 150	2.2%
KLP AksjeNorge	600 000	2.2%
Danske Invest Norge Vekst	600 000	2.2%
Brown Brothers Harriman (Lux.) SCA (Nominee)	490 467	1.8%
Prieta AS	485 175	1.7%
Verdipapirfondet Nordea Avkastning	444 600	1.6%
JP Morgan Chase Bank, N.A., London (Nominee)	429 417	1.5%
Kommunal Landspensjonskasse	400 000	1.4%
Swedbank AB	384 827	1.4%
Verdipapirfondet Nordea Kapital	271 550	1.0%
ABN AMRO Global Custody Services (Nominee)	263 246	0.9%
20 Largest shareholders	**21 468 713**	**77.1%**
Other shareholders	6 391 687	22.9%
Total	**27 860 400**	**100.0%**

Four members of the Management team in the Group holds a total of 307,350 ordinary shares in Ultimovacs.

NUMBER OF SHARES HELD BY CEO AND THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2019	POSITION	NUMBER OF SHARES
Øyvind Kongstun Arnesen - through Vitmed AS	CEO	160 000
Kristin L. A. Wilhelmsen - through Watrium AS *	Board member	1 620 925
Ketil Fjerdingen - through Langøya Invest AS	Board member	1 226 325
Leiv Askvig - through Basen Kapital AS	Board member	79 500
Henrik Schussler - through Fireh AS	Board member	19 200
Eva S. Dugstad	Board member	6 400
Kari Grønås - through K OG K AS	Board member	5 040
Total shares held by CEO and Board of Directors		**3 117 390**

* Kristin Wilhelmsen with closely related parties is a majority shareholder in the family-owned company Watrium AS, which holds 1,620,925 shares in Ultimovacs ASA.

Note 12: Share capital, shareholder information and dividend (continued)

THE 20 MAIN SHAREHOLDERS AS AT 31 DECEMBER 2018	NUMBER OF SHARES	OWNERSHIP INTEREST
Gjelsten Holding AS	195 418	30.5%
Inven2	80 871	12.6%
Canica AS	55 886	8.7%
Radiumhospitalets Forskningsstiftelse	55 835	8.7%
Langøya Invest AS	36 253	5.7%
Immuneed 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%
Holmentjern 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	18 292	2.9%
Total	**640 816**	**100.0%**

Four members of the Management team in the Group held a total of 12,101 ordinary shares in Ultimovacs as at 31 December 2018.

NUMBER OF SHARES HELD BY CEO AND THE BOARD OF DIRECTORS AS AT 31 DEC 2018	POSITION	NUMBER OF SHARES
Øyvind Kongstun Arnesen - 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 L. A. 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 held 32,837 shares in Ultimovacs.

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 directly from or administered by Inven2 AS amounted to MNOK 1.2 and MNOK 2.5 in 2018 and 2019 respectively (incl. VAT). As per 31 December 2019, Ultimovacs had MNOK 0.7 in outstanding payables to Inven2 AS.

Ultimovacs ASA finances running operations and projects in Ultimovacs AB through unconditional shareholder contributions. In 2019, Ultimovacs ASA contributed with a total of MNOK 6.0 in unconditional shareholder contributions to Ultimovacs AB.

Note 14: Leases and commitments

The Group has implemented IFRS 16 in 2019 with the modified retrospective approach. Hence, the comparative figures for 2018 have not been adjusted.

With the transition to IFRS 16, the Group has recognized the following lease/rental-contracts as right-of-use assets:
- office premises lease contract in Oslo with four years left as of 1 January 2019
- four car-lease contracts, expiring between Q2-20 and Q2-21

The implementation effect as per 1 January 2019 was MNOK 4.6 based on the net present value of future minimum rent/lease-payments related to the non-cancellable contracts. The amount is capitalized as a liability and asset in the balance sheet as per 1 January 2019.

The weighted average discount applied at 1 January 2019 was 6.0%. A further description of the impact of the initial application is disclosed in the table below.

IMPACT OF IFRS16 AS PER 1 JANUARY 2019 AND CARRYING AMOUNTS OF RIGHT-OF-USE ASSETS RECOGNISED (NOK 1 000)	CARS	OFFICE	TOTAL
Operating lease commitment as at 31 December 2018*	**880**	**4 282**	**5 162**
+ Extension options reasonably certain to be exercised	-	-	**-**
- Discounting using the incremental borrowing rate	(57)	(483)	**(540)**
Lease liabilities recognized at initial application	**823**	**3 798**	**4 622**
The weighted average incr. borrowing rate applied:	6.0%	6.0%	6.0%
Right-of-use assets recognized at initial application	**823**	**3 798**	**4 622**

* The operating lease commitment presented in note 14 in the Financial Statements 2018 was MNOK 3.8 (discounted using an incremental borrowing rate of 6.0%), which was related to the office lease commitment. The car-lease commitment of MNOK 0.8 was not identified as a lease commitment as per 31 December 2018.

RIGHT-OF-USE ASSETS (NOK 1 000)	CARS	OFFICE	TOTAL
Right-of-use assets as per 1 January 2019	823	3 798	**4 622**
Depreciation costs during the year	(403)	(1 020)	**(1 424)**
Extension options exercised	-	325	**325**
Balance sheet value as per 31 December 2019	**420**	**3 103**	**3 523**

Note 14: Leases and commitments (continued)

LEASE LIABILITIES (NOK 1 000)	2019
Lease commitment as per 1 January 2019	**4 622**
Additions	325
Installments during the year	1 321
Lease commitments as per 31 December 2019	**3 626**
Current	1 325
Non-current	2 301

LEASE LIABILITIES (NOK 1 000)	2019
Depreciation expense of right-of-use assets	1 424
Interest expense on lease liabilities	258
Expense relating to short-term leases (incl. in Other operating expenses)	520
Expense relating to low-value assets (incl. in Other operating expenses)	19
Total amount recognised in profit or loss	**2 220**

The Group had total cash outflows related to leases of MNOK 2.2 in FY19.

The company has utilised the practical expedients relating to operating leases where short term leases and lease-contracts of low value have not been recognised as right of use assets.

Expenses relating to short-term lease comprise lab premises and parking spaces in Oslo, Norway, and office premises in Uppsala, Sweden. These contracts can be terminated by both lessee and lessor within 1 - 3 months.

Expense relating to low-value assets comprise leasing of an office printer in Oslo.

THE FUTURE MINIMUM RENTS RELATED TO NON-CANCELLABLE LEASES (NOK 1 000)	2019
Within 1 year	1 325
1 to 2 years	1 172
2 to 3 years	1 129
After 3 years	-
Sum	**3 626**

Note 15: Share based payment

Share option program (new program established in H1 2019)
A new share equity settled option program was introduced on 3 June 2019 in connection with the initial public offering (IPO). The share option program was approved by the General Assembly 2 May 2019 and the Board was authorized to increase the Group's share capital in connection with share incentive arrangement by up to 10%.

The share option program is groupwide and includes all employees in the Group. A total of 557,500 options for shares in the Company have been distributed amongst the employees, of which 362,500 options are allocated to the management team. The number of options currently granted corresponds to 2.0% of the outstanding number of shares in the Company. Each option gives the right to buy one share in the Company at the agreed exercise price upon grant, and are granted without consideration. Pursuant to the vesting schedule, 25% of the options will vest one year after the day of grant, 25% of the options will vest two years after the day of grant and the remaining 50% will vest three years after the day of grant. Vesting requires the option holder still to be an employee in the Company. The exercise price is NOK 31.25 per share which is equal to the IPO price at listing on Oslo Børs on 3 June 2019. Options that are not exercised within 5 years from the date of grant will lapse and become void.

MOVEMENTS OF OPTIONS DURING 2019	NUMBER OF INSTRUMENTS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at 1 January	**-**	**-**
Granted during the year	557 500	31.25
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 December	**557 500**	**31.25**
Vested options during the year	-	-

OUTSTANDING INSTRUMENTS OVERVIEW	2019
Number of instruments	557 500
Weighted Average Exercise Price	31.25
Weighted Average remaining contractual life	4.43
Vested/Exercisable instruments as at 31 December	-
Weighted Average Exercise Price on vested instruments	-

ALLOCATION OF OPTIONS TO MANAGEMENT TEAM	POSITION	NUMBER OF OPTIONS*
Øyvind Kongstun Arnesen	Chief Executive Officer	72 000
Hans Vassgård Eid	Chief Financial Officer	62 500
Jens Egil Torbjørn Bjørheim	Chief Medical Officer	53 000
Audun Tornes	Chief Operating Officer	38 000
Gudrun Trøite	Director Regulatory Affairs and QA	38 000
Ingunn Hagen Westgaard	Head of Research	38 000
Øivind Foss	Head of Clinical Operations	38 000
Gunilla Ekström	Managing Director Ultimovacs AB	23 000
Total allocated share options to the Management Team		**362 500**

*All options have been allocated during the year. No options have been vested or exercised during the year.

Note 15: Share based payment (continued)

Assumptions, costs and social security provisions:
The Ultimovacs Employee Share Options' fair value is calculated according to the IFRS-2 regulations. As stated in IFRS-2 Appendix B §B5 the Black-Scholes-Merton Option Pricing Model ("B&S Model") may be used to estimate the fair value of employee share options, which is therefore used to estimate the fair value of the Ultimovacs Employee Share Options. The model uses the following parameters; the exercise price, the current price of the underlying shares, the life of the option, the expected volatility of the share price, the dividends expected on the shares, and the risk-free interest rate for the life of the option.

The exercise price is set out in the Ultimovacs Award Agreements with each employee and is stated in the Norwegian Krone. The current price of the underlying shares used in the model is the last available closing price of Ultimovacs at grant date.

The risk-free interest rate used in the B&S Model is equal to the rates of the government bond issues of the country in whose currency the exercise price is expressed, with the term equal to the expected term of the option being valued. Since the exercise price is expressed in Norwegian Krone, the "Norges Bank Statskasseveksler" and "Obligasjoner"-rate is used as input. The interest rates used for the options with term structures outside of the quoted terms of Norges Banks interest rates are calculated with the use of a linear interpolation between the two closest quoted rates.

A dividend parameter is not included in the calculations.

The B&S Model assumes that the time from grant until expiry gives the time parameter in the model. This assumption is based on the options being free from restraints and that the owner of the options holds the right to sell the option in the market at any time. As this is not the case for most employee share options, IFRS-2 Appendix B §B16-18, states that a shorter time period can be used as the expected lifetime of the options in some cases. Half a year after vesting date is therefore assumed to be the estimated end-of-lifetime of each option in the model. However, exercise patterns will be monitored, and expected option lifetime will be updated if needed for future grants.

For valuation purposes, expected future volatility of 58.46%, 59.02% and 69.25% has been applied for the three tranches with vesting after 1, 2 and 3 years respectively. As Ultimovacs has not been listed on a stock exchange long enough to have a sufficient share price history to calculate the shares' volatility, comparable firms' share price volatility have been used to estimate the expected volatility.

The fair value of the granted instruments in 2019 have been calculated using a Black Scholes model with the following assumptions:

FAIR VALUE PRICING ASSUMPTIONS	2019
Instrument	Option
Quantity as at 31 December 2019	557 500
Contractual life*	5.00
Exercise price*	31.25
Share price*	31.00
Expected lifetime*	2.75
Volatility*	64.00%
Interest rate*	1.18%
Dividend*	-
Fair value per instrument*	12.65
Vesting conditions	Service condition

*Weighted average parameters at grant of instrument

The total IFRS cost recognized for the option program from its commencement on 3 June 2019 to 31 December 2019 was MNOK 2.0. The total social security provision for 2019 was MNOK 0.2.

Note 15: Share based payment (continued)

Synthetic share program (terminated program)
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 were granted synthetic shares, which were not physically held by the owner. The employees were 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.

The vesting period for all synthetic shares in all of the individual employee-contracts was up to the expiration date 18 May 2021, regardless of when the synthetic shares were allocated. However, upon discretion of the board of directors, or on 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 due and to be settled/terminated. This would trigger the option-strike, resulting in a cash pay-out for all synthetic shares that the holders/employees are entitled to. Based on a discretionary decision made by the board of directors, the IPO of Ultimovacs on Oslo Børs on 3 June 2019 triggered the option-strike. As each share was valued to NOK 31.25 in the IPO, and exercise price for all synthetic shares were NOK 45.32 (corresponding to NOK 1,133 before the share split), all synthetic shares were settled/terminated without any value. Consequently, the liability of MNOK 10.2 related to the synthetic share program was reversed in June 2019. Please refer to the 2018 Financial statement for more information regarding the valuation of the synthetic shares.

MOVEMENTS OF SYNTHETIC SHARES (# SYNTHETIC SHARES)	2019	2018
Outstanding at 1 January	**17 306**	**15 600**
Granted during the year	-	1 706
Forfeited during the year	(17 306)	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 December	**-**	**17 306**

Note 16 - Other current liabilities

OTHER CURRENT LIABILITIES (NOK 1 000)	2019	2018
Public duties payable	2 495	1 708
Holiday pay payable	2 242	1 784
Share-based payment liability	-	10 207
Accrued expenses	2 427	2 298
Sum	**7 164**	**15 996**

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, SEK 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 1 000)	CHANGE IN FOREIGN CURRENCY	2019	2018
EUR	+10%	1 432	673
	-10%	(1 432)	(673)
GBP	+10%	327	305
	-10%	(327)	(305)
USD	+10%	1 356	643
	-10%	(1 356)	(643)
SEK	+10%	743	300
	-10%	(743)	(300)

Note 17: Financial instruments (continued)

INTEREST RATE SENSITIVITY (NOK 1 000)	CHANGE IN INTEREST RATE	2019	2018
Bank deposits	+2%	6 309	2 787
	-2%	(6 309)	(2 787)
	+5%	15 773	6 968
	-5%	(15 773)	(6 968)

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. Although currently sufficiently capitalised as per 31 December 2019, 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. The company has two employees.

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.

Ultimovacs AB was consolidated into Ultimovacs' consolidated financial statements from 11 July 2018. The company has no revenues, and reported a negative loss before tax of MNOK 2.2 in FY18 and MNOK 4.5 in FY19. The company had not revenues or costs prior to the acquisition on 11 July 2018. Total transactions costs related to the acquisition amounted 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 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 purchase price allocation is 11 July 2018, which also is the date of the transaction, and has identified the following fair values of identifiable assets and liabilities in Ultimovacs AB as at the date of the acquisition:

PURCHASE PRICE ALLOCATION (1 000)	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 18: Acquisition of Tet Pharma AB (continued)

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, and will fluctuate over time in accordance with the SEK/NOK currency. The difference is reported as other comprehensive income (loss) in the P&L.

Note 19: Events after the balance sheet date

The coronavirus pandemic has a profound impact on the global economy and no industry seem to be protected from operational and financial consequences. The final impact on any industry or individual company is currently difficult to assess. For a biotech company like Ultimovacs, some of the possible implications of the COVID-19 pandemic will be:

- The initiation, patient inclusion and conduct of clinical trials may be affected. Challenges may arise, for example, from redirection of personnel and other resources from clinical trials to other areas, quarantines, site closures, travel limitations, or other considerations if site personnel or trial subjects become infected. This applies both to hospitals were the clinical trials will be run and to laboratories performing certain services as part of the clinical trial.

  Ultimovacs has previously communicated that the inclusion of the first patient was expected during Q1 2020 in both the INITIUM trial (randomized phase II trial in malignant melanoma) and the NIPU trial (randomized phase II trial in mesothelioma). However, an immediate consequence of the coronavirus pandemic is that clinical trial activities and patient inclusion is now put on hold. The overall activation of sites and patient recruitment in the two phase II trials is currently unclear. Ultimovacs will continue to make all preparations and take all reasonable measures to ensure that the completion of these trials is delayed as little as possible. In the ongoing phase I trial in malignant melanoma in the US, patient recruiting in cohort 2 is still active. Inclusion of cohort 1 in this trial is completed as previously announced, and 1-year safety and efficacy endpoints will be reported H2-2020.

- The supply chain for the investigational products may be interrupted, either at the manufacturing site or with respect to logistical operations. Short-term, Ultimovacs expects supplies of investigational products to be under control.

- The pandemic has caused significant fluctuations in currency exchange rates. The Norwegian Krone (NOK) is currently at a very low level vs. EUR and USD. This will increase Ultimovacs' costs of clinical trials, manufacturing and other projects.

Ultimovacs expects the main consequences to be implications for timing and costs.

Ultimovacs has a strong cash position of MNOK 400 by year-end 2019. This gives a good foundation for executing the current development plan. Potential delays in the trials will to some extent imply that related expenses are also delayed.

The coronavirus pandemic has no consequences for the financial statement for 2019.

There are no other significant subsequent events.

Contents - Financial Statements Ultimovacs ASA

Statement of profit and loss and other comprehensive income Ultimovacs ASA

(NOK 1000) EXCEPT PER SHARE DATA	NOTES	2019	2018
Total revenues		**-**	**-**
Payroll and payroll related expenses	3, 4, 15	(17 611)	(26 143)
Depreciation and amortisation	9	(2 063)	(601)
Other operating expenses	3, 5	(41 926)	(25 002)
Total operating expenses		**(61 600)**	**(51 746)**
Operating profit (loss)		**(61 600)**	**(51 746)**
Financial income	6	5 631	1 376
Financial expenses	6	(577)	(129)
Net financial items		**5 055**	1 247
Profit (loss) before tax		**(56 546)**	**(50 499)**
Income tax expense	7	-	-
Profit (loss) for the year		**(56 546)**	**(50 499)**
Items that subsequently may be reclassified to profit or loss:			
Other comprehensive income (loss) for the year		-	-
Total comprehensive income (loss) for the year		**(56 546)**	**(50 499)**
Basic and diluted earnings (loss) per share (NOK per share)	8	(2.5)	(3.2)

Statement of financial position Ultimovacs ASA

(NOK 1000)	NOTES	2019	2018
ASSETS			
Non-current assets			
Investment in subsidiary	18	61 512	55 512
Patents	9	2 844	3 111
Property, plant and equipment	9	536	736
Right of use assets	14	3 523	-
Total non-current assets		**68 415**	**59 359**
Current assets			
Receivables and prepayments	3, 10	7 827	5 985
Cash and cash equivalents	11	397 525	114 539
Total current assets		**405 352**	**120 524**
TOTAL ASSETS		**473 768**	**179 884**
EQUITY AND LIABILITIES			
Equity			
Share capital		2 786	641
Share premium		656 692	314 256
Total paid-in equity		**659 478**	**314 897**
Accumulated losses		(209 646)	(153 100)
Other equity		1 861	-
TOTAL EQUITY	12	**451 693**	**161 797**
Non-current liabilities			
Lease liability	14	2 301	-
Total non-current liabilities		**2 301**	**-**
Current liabilities			
Lease liability	14	1 325	-
Accounts payable		11 533	2 475
Other current liabilities	15, 16	6 916	15 612
Total current liabilities		**19 773**	**18 087**
TOTAL LIABILITIES		**22 074**	**18 087**
TOTAL EQUITY AND LIABILITIES		**473 768**	**179 884**

Board of Directors and CEO of Ultimovacs ASA

Oslo, 1 April 2020

Sign	Sign	Sign
Jónas Einarsson Chairman of the Board	**Kari Grønås** Board member	**Eva S. Dugstad** Board member
Sign	Sign	Sign
Henrik Schüssler Board member	**Ketil Fjerdingen** Board member	**Leiv Askvig** Board member
Sign		Sign
Kristin L. A. Wilhelmsen Board member		**Øyvind Kongstun Arnesen** CEO

Statement of cash flow Ultimovacs ASA

(NOK 1000)	NOTES	2019	2018
Cash flow from operating activities			
Profit (loss) before tax		(56 546)	(50 499)
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and amortisation	9	2 063	601
Interest received including investing activities	6	(4 490)	(1 247)
Net foreign exchange differences	6	221	10
Other financial expenses	14	258	-
Share option expenses	15	1 861	-
Working capital adjustment:			
Changes in prepayments and other receivables	10	(1 842)	(903)
Changes in payables and other current liabilities	16	362	5 742
Net cash flows from operating activities		**(58 114)**	**(46 297)**
Cash flow from investing activities			
Purchase of property, plant and equipment	9	(172)	(513)
Acquisition of subsidiary	18	-	(7 197)
Shareholder contribution to subsidiary	18	(6 000)	(2 500)
Interest received	6	4 490	1 247
Net cash flow from investing activities		**(1 682)**	**(8 962)**
Cash flow from financing activities			
Proceeds from issuance of equity	12	370 000	-
Share issue cost	12	(25 418)	-
Interest paid	14	(258)	-
Payment of lease liability	14	(1 321)	-
Net cash flow from financing activities		**343 002**	-
Net change in cash and cash equivalents	11	283 207	(55 259)
Effect of change in exchange rate	6	(221)	(10)
Cash and cash equivalents, beginning of period	11	**114 539**	**169 808**
Cash and cash equivalents, end of period		**397 525**	**114 539**

Statement of changes in equity Ultimovacs ASA

(NOK 1000)	NOTES	SHARE CAPITAL	SHARE PREMIUM	TOTAL PAID IN CAPITAL	ACCU-MULATED LOSSES	OTHER EQUITY	TOTAL EQUITY
Balance as of 1 January 2018		**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**
Profit (loss) for the year				**-**	(56 546)		**(56 546)**
Other comprehensive income (loss)				**-**			**-**
Issue of share capital	12	2 145	367 855	**370 000**			**370 000**
Share-issue costs	12		(25 418)	**(25 418)**			**(25 418)**
Recognition of share-based payments	15			**-**		1 861	**1 861**
Balance as of 31 December 2019		**2 786**	**656 692**	**659 478**	**(209 646)**	**1 861**	**451 693**

Note 1: General information

Ultimovacs ASA is a pharmaceutical company developing novel immunotherapies against cancer. The company is a public limited liability company listed on the Oslo Stock Exchange in Norway. 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 company is performing a broad clinical development program with clinical trials in Europe and the USA.

Ultimovacs was established in 2011, and the company and its proprietary technology is based on pre-clinical and clinical research on immunotherapies conducted at the Oslo University Hospital.

Ultimovacs is headquartered at the Oslo Cancer Cluster Innovation Park in Oslo, Norway, while its fully owned subsidiary, Ultimovacs AB, has an office in Uppsala, Sweden. Ultimovacs ASA is an active member of Oslo Cancer Cluster.

The financial statements were approved by the Board of Directors on 1 April 2020.

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 2019 have been prepared under the going concern assumption.

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 is included under cash flow from financing activities, and interest received is included in 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.

Note 2: Accounting principles (continued)

iii. Financial instruments
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:

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

All other assets are classified as non-current. A liability is current when:

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

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

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.

Note 2: Accounting principles (continued)

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 installments.

Note 2: Accounting principles (continued)

xii. IFRS 16 Leases

Effective January 1, 2019, the Company applied IFRS 16 using the modified retrospective approach and therefore the comparable information has not been restated and continues to be reported under IAS 17. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to us. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for all leases.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases Under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied recognition exemptions to leases that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option.
- Applied the low value lease exemption not to recognize right-of-use assets at the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability and are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Ultimovacs' incremental borrowing rate. The incremental borrowing rate is used as the discount rate.

When applying the practical expedients in IFRS 16 for lease-contracts with low value or lease terms of less than 12 months, the lease payments (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 the 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.

Note 2: Accounting principles (continued)

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 cash-settled transaction incentive scheme was terminated in FY19. 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 payroll and payroll related expenses. 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 in a business combination 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.

Note 2: Accounting principles (continued)

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.

- 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.

- 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.

Note 3: Government grants

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

GRANTS RECOGNISED (NOK 1 000)	2019	2018
Skattefunn	5 277	4 946
BIA grants from The Research Council of Norway (Forskningsrådet)	-	496
Eurostars	2 344	285
Industrial Ph.D. grant from The Research Council of Norway (Forskningsrådet)	157	-
Innovation Norway (Innovasjon Norge)	-	60
Total grants	**7 778**	**5 787**

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

COSTS DEDUCTED (NOK 1 000)	2019	2018
Payroll and payroll related expenses	2 476	1 860
Other operating expenses	5 302	3 927
Total costs deducted	**7 778**	**5 787**

Grants receivable as per 31 December are detailed as follows:

GRANTS RECEIVABLES (NOK 1 000)	2019	2018
Skattefunn	5 277	4 946
Eurostars	363	285
The Research Council of Norway (Forskningsrådet)	157	-
Total grants receivables	**5 797**	**5 231**

Skattefunn:
The Skattefunn R&D tax incentive scheme is a government program designed to stimulate research and development in Norway. As of 31 December 2019, 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 immunotherapy against cancer (2018 - 2021)
- Novel cancer immunotherapy (2019 - 2022)

Eurostars:
Eurostars is a joint program 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 administered by Forskningsrådet in Norway. Ultimovacs has been awarded financial support for the project “Validation of a novel immune response capturing platform for immunotherapy development and monitoring” from 2018 to 2021.

The Research Council of Norway (Forskningsrådet):
The industrial Ph.D. project is a collaboration between Ultimovacs ASA, located in Oslo Cancer Cluster Science Park, Oslo University Hospital and the University of Oslo. The Ph.D. candidate for this project is employed by Ultimovacs. The project aims to characterize the immunological mechanisms induced by treatment with a peptide-based therapeutic cancer vaccine.

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

Note 4: Salary and personnel expenses and management remuneration

PAYROLL AND PAYROLL RELATED EXPENSES (NOK 1 000)	2019	2018
Salaries and holiday pay	23 164	18 248
Social security tax	3 614	2 690
Pension expenses	1 263	1 254
Share-based compensation	(8 346)	5 416
Other personnel expenses	392	395
Government grants	(2 476)	(1 860)
Total payroll and payroll related expenses	**17 611**	**26 143**
Number of FTEs employed during the financial year	15.4	11.4
Number of employees at end of year	17	14

The Company's Management team consists of the Company's CEO, CFO and the managers of each department, totalling eight employees, of which one employee in Ultimovacs AB.

MANAGEMENT REMUNERATION 2019 (NOK 1 000)	SALARY	BENEFITS IN KIND	SHARE OPTIONS [1]	PENSION COST	TOTAL REMUNERATION
Øyvind Arnesen (CEO)	2 497	207	256	86	**3 046**
Hans Vassgård Eid (CFO)	2 166	274	223	85	**2 747**
Jens Egil Torbjørn Bjørheim (CMO)	1 711	264	189	84	**2 249**
Audun Tornes (COO)	1 390	205	135	85	**1 815**
Gudrun Trøite (Dir. of Reg. affairs and QA)	1 280	4	135	84	**1 504**
Ingunn Hagen Westgaard (Head of R&D)	1 302	4	135	85	**1 527**
Øivind Foss (Head of Clinical Operations)	1 434	4	135	84	**1 657**
Total remuneration	**11 781**	**962**	**1 209**	**593**	**14 545**

BOARD OF DIRECTORS' REMUNERATION 2019 (NOK 1 000)	SALARY	BENEFITS IN KIND	SHARE OPTIONS	PENSION COST	TOTAL REMUNERATION
Jónas Einarsson (Chairman of the Board)	275	-	-	-	**275**
Bjørn Rune Gjelsten (Board member)	138	-	-	-	**138**
Ketil Fjerdingen (Board member)	138	-	-	-	**138**
Leiv Askvig (Board member)	138	-	-	-	**138**
Henrik Schüssler (Board member)	138	-	-	-	**138**
Ole Kristian Hjelstuen (Board member)	138	-	-	-	**138**
Kristin L.A. Wilhelmsen (Board member)	138	-	-	-	**138**
Kari Grønås (Board member)	-	-	-	-	**-**
Eva S. Dugstad (Board member)	-	-	-	-	**-**
Total remuneration	**1 100**	**-**	**-**	**-**	**1 100**

1) IFRS cost in relation to share option plan, not exercised. Refer to note 15 for more information regarding the allocated and outstanding options.

On the annual General Assembly held on the 4 April 2019, Bjørn Rune Gjelsten and Ole Kristian Hjelstuen were replaced by Kari Grønås and Eva S. Dugstad as board members.

Note 4: Salary and personnel expenses and management remuneration (continued)

MANAGEMENT REMUNERATION 2018 (NOK 1 000)	SALARY	BENEFITS IN KIND	SHARE OPTIONS[2]	PENSION COST	TOTAL REMUNERATION
Øyvind Arnesen (CEO)	2 410	198	-	91	**2 699**
Hans Vassgård Eid (CFO)	2 041	255	-	89	**2 385**
Jens Egil Torbjørn Bjørheim (CMO)	1 620	258	-	89	**1 967**
Audun Tornes (COO)	1 372	189	-	90	**1 651**
Gudrun Trøite (Dir. of Reg. affairs and QA)	1 164	4	-	86	**1 255**
Ingunn Hagen Westgaard (Head of R&D)	1 203	4	-	89	**1 297**
Øivind Foss (Head of Clinical Operations)	1 376	4	-	88	**1 469**
Total remuneration	**11 187**	**914**	**-**	**622**	**12 723**

2) As the company was not listed until 2019, it was not possible to calculate an actual fair value of the synthetic shares in 2018, and therefore not taken into account when calculating management remuneration in 2018. Forfeited without value in 2019. Ref note 15

BOARD OF DIRECTORS' REMUNERATION 2018 (NOK 1 000)	SALARY	BENEFITS IN KIND	SHARE OPTIONS	PENSION COST	TOTAL REMUNERATION
Ketil Fjerdingen (Chairman of the Board)	275	-	-	-	**275**
Bjørn Rune Gjelsten (Board member)	138	-	-	-	**138**
Jónas 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 L.A. Wilhelmsen (Board member)	138	-	-	-	**138**
Total remuneration	**1 100**	**-**	**-**	**-**	**1 100**

On the annual General Assembly held on the 5 March 2018, Jónas Einarsson was elected as Chairman of the Board, replacing Ketil Fjerdingen.

A total of 17.306 synthetic shares (of which 3,000 held by the CEO and 9,400 held by the rest of the management team) which were allocated to employees in the Group, were settled without value in June 2019, which resulted in a gain of MNOK 10.2. An option-based share based payment scheme commenced in June 2019 applying for all employees. Please refer to note 15 regarding both the terminated synthetic share scheme and the new option-based incentive scheme.

There were no outstanding loans or guarantees made to related parties, the Board of Directors, the Management Team or any other employees as of 31 December 2019 or as of 31 December 2018.

Pensions
Ultimovacs ASA 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 2019, all seventeen of Ultimovacs ASA'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 Compandy has no pension or retirement benefits for its Board Members.

The total pension contributions for all employees recognised as expenses equalled MNOK 1.3 and MNOK 1.3 in 2019 and 2018 respectively.

Note 4: Salary and personnel expenses and management remuneration (continued)

Main principles of management remuneration
Pursuant to the Norwegian Public Limited Liability Companies Act, section 6-16 a, the Board annually presents a statement regarding remuneration of Ultimovacs' Management to the General Meeting.

These guidelines shall lay down the main principles for the Company's management remuneration policy. The main principles regarding management remuneration are described below:

Fixed salary

The fixed salary (annual gross salary before tax and before calculation of variable salary and other additional benefits) should reflect the individual's area of responsibility and be the main element of the managers' regular compensation. The base Management salary must be competitive in order to attract and retain the most attractive managers. The salary level should not be of a size that could harm the Company's reputation, or significantly above the norm for employees with similar background and in similar positions in comparable companies. The salary level should, however, ensure that the Company can attract and retain executive employees with the desired expertise and experience. Any fringe benefits shall be in line with market practice and should not be substantial in relation to the basic salary.

Other benefits

Bonus
There is no bonus scheme in the Group, however, sign-on-fees and bonus may be applied on the Board's discretion.

Pension
CEO and Management in the Norwegian entity participate in a defined contribution pension plan with the same terms as all other employees in the Norwegian entity. The annual accrual is currently 6% of the annual base salary from 0 G to 7 G and 10% from 7G to 12 G (G = the basic amount in the National Insurance scheme in Norway, as of 1 May 2019 G = NOK 98,866). The Managing Director of the Swedish entity is entitled to a defined contribution pension plan where the annual accrual is currently 35% of the annual salary.

Share Options
The executive management takes part in the general share option incentive scheme which applies to all employees in the Group. The number of share options currently distributed to the executive management is listed in note 15 in the Annual Financial Statement for 2019. Main objectives of the share value based incentive scheme are to align interests of shareholders and management/employees (value creation and risk taking) and ensure competitive compensation for management/employees and motivation to stay (retention).

The share option program was approved by the General Assembly on 2 May 2019 and the Board was authorized to increase the Group's share capital in connection with share incentive arrangement by up to 10%.

The share option program includes all employees in the Group. Vesting requires the option holder still to be an employee in the Company. Key parameters in the option program currently include the following:

- an exercise price set as the volume weighted average of observed market price of the Company's shares the last 5 days prior to the issue of the options,
- 5 years duration of the options, and
- a vesting schedule of 25%/25%/50% after 1/2/3 years.

Separate arrangements may be made with individual employees.

The Board of Directors will review the option scheme annually and allocate share options within the framework approved by the General Assembly on 2 May 2019.

Severance pay/pay after termination of employment
In certain conditions, the CEO is entitled to 12 months' severance pay. For the new CEO starting in June 2020, the severance pay period will be extended to 18 months if the termination of the CEO takes place in connection with a change of control event in the Company.

The company's CFO is entitled to receive pay after 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.

Other benefits
The CEO and some individuals in the Management team get car allowance or coverage of costs for leasing of cars in private use.

The new CEO starting in June 2020 has an agreement whereby the Company will cover the lease for an apartment in Oslo up to a certain monthly amount.

Benefits to the Management Team may include certain other items such as group life insurance, health care insurance, travel insurance, etc. on customary terms.

The Management does not have any other separate fringe benefits of any significance.

Statement on the executive employee remuneration policy during the previous financial year
The executive compensation for the fiscal year 2019 has been in accordance with the above-mentioned information and the guidelines for 2020.

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 1 000)	2019	2018
External R&D expenses	35 381	16 957
Clinical studies	24 042	7 876
Manufacturing costs	5 640	6 793
Other R&D expenses	5 700	2 289
Patent related expenses	2 296	2 253
Rent, office and IT	2 001	2 618
Accounting, audit, legal, consulting	3 038	3 548
Other operating expenses	4 512	3 552
Less government grants	(5 302)	(3 927)
Total operating expenses	**41 926**	**25 002**

Estimated total expenses related to R&D, including other operating expenses, payroll and payroll related expenses, less government grants, amounted to MNOK 30.4 in 2018 and MNOK 52.4 in 2019.

SPECIFICATION AUDITOR'S FEE (NOK 1 000)	2019	2018
Statutory audit	244	173
Audit related services	42	135
Tax related services	60	38
Other	68	433
Total auditor's fee	**413**	**780**

VAT is not included in the fees specified above.

Note 6: Financial items

FINANCIAL INCOME (NOK 1 000)	2019	2018
Interest income	5 539	1 257
Foreign exchange gains	92	119
Total financial income	**5 631**	**1 376**

FINANCIAL EXPENSES (NOK 1 000)	2019	2018
Foreign exchange losses	313	-
Other financial expenses	263	129
Total financial expenses	**577**	**129**

Note 7: Income tax

TAX EXPENSE BASIS (NOK 1 000)	2019	2018
Profit (loss) before tax	(56 546)	(50 499)
Net non-deductible income	(5 295)	(4 902)
Other items	(25 418)	-
Change in temporary differences	(10 091)	5 447
Basis for tax calculation	**(97 350)**	**(49 953)**

INCOME TAX EXPENSE (NOK 1 000)	2019	2018
Expected tax expense	12 440	11 615
Net non-deductible income	1 165	1 127
Other items	5 592	-
Change in deferred tax assets not recognised	(19 197)	(10 945)
Effect from changes in tax rate	-	(1 797)
Income tax expense	**-**	**-**

* The share issue cost of MNOK 25.4 in 2019 was deducted directly from equity and is included in the basis for tax calculation as the tax-effect is charged directly to equity.

The corporate tax rate in Norway was 23% in 2018 and was reduced to 22% as of 2019.

DEFERRED TAX ASSETS (NOK 1 000)	2019	2018
Tax losses carried forward	266 991	169 642
Temporary differences - share based payment liability	-	10 207
Temporary differences - PP&E	8	(108)
Temporary differences and tax loss carry forward	**266 999**	**179 740**
Deferred tax assets - not recognised in statement of financial position	**58 740**	**39 543**
Deferred tax assets per 31 December	**-**	**-**

Ultimovacs has not recognised a deferred tax asset in the statement of financial position related to its previous losses, as the Company does not expect taxable income to be generated in the short-term to support the use of the deferred tax asset.

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.

The share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognized 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. Diluted and basic (undiluted) earnings per share is therefore the same.

EARNINGS PER SHARE	2019	2018
Profit (loss) for the year (NOK 1 000)	(56 546)	(50 499)
Average number of outstanding shares during the year (1 000)	22 927	15 587
EPS - basic and diluted (NOK per share)	**(2.5)**	**(3.2)**

In the annual general meeting on 21 May 2019, a split of the shares was resolved so that one share with a nominal value of NOK 1 was split into 25 shares with a nominal value of NOK 0.10. The 2018 and 2019 figures in the overview above takes into account the share split in order to be comparable with the number of shares post-split.

When the Company was listed on the Oslo Stock exchange on 3 June 2019, 11,840,000 new shares were issued, increasing the total number of shares to 27,860,400.

In addition to the above, in accordance with the board's proposal, the general meeting approved the establishment of a new share option program. This program commenced on the day of listing, 3 June 2019, where 557,500 options, each giving a right to acquire one share, were allocated to the employees of Ultimovacs ASA and Ultimovacs AB.

See note 15 for more information regarding the option program.

Note 9: Non-current assets

NON-CURRENT ASSETS 2019 (NOK 1 000)	OFFICE AND LAB EQUIPM.	PATENTS	TOTAL
Accumulated cost as at 1 January 2019	1 610	4 000	**5 610**
Additions	172	-	**172**
Cost as at 31 December 2019	**1 782**	**4 000**	**5 782**
Accumulated depreciation and amortisation as at 1 January 2019	(873)	(889)	**(1 762)**
Depreciations in the year	(373)	(267)	**(639)**
Accumulated depreciation and amortisation as at 31 December 2019	**(1 246)**	**(1 156)**	**(2 402)**
Carrying value as at 31 December 2019	**536**	**2 844**	**3 380**

NON-CURRENT ASSETS 2018 (NOK 1 000)	OFFICE AND LAB EQUIPM.	PATENTS	TOTAL
Accumulated cost 1 as at January 2018	1 097	4 000	**5 097**
Additions	513	-	**513**
Cost as at 31 December 2018	**1 610**	**4 000**	**5 610**
Accumulated depreciation and amortisation as at 1 January 2018	(539)	(622)	**(1 162)**
Depreciations in the year	(334)	(267)	**(601)**
Accumulated depreciation and amortisation as at 31 December 2018	**(873)**	**(889)**	**(1 762)**
Carrying value as at 31 December 2018	**736**	**3 111**	**3 847**
Economic Life	3 years	15 years	
Depreciation method	linear	linear	

Patents
In 2015, Ultimovacs acquired all rights to the UV1 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 Ultimovacs 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 related to the same patents, 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 milestone payments will be capitilised in the balance sheet when paid to Inven2, and depreciated linearly until 2030. The patent period from the time of acquisition of the rights spans over 15 years and expires in 2030.

Note 10: Other receivables

OTHER RECEIVABLES (NOK 1 000)	2019	2018
Government grants receivables (ref note 3)	5 797	5 231
VAT receivables	564	318
Other receivables and prepayments	1 466	436
Total other receivables	**7 827**	**5 985**

Note 11: Cash and cash equivalents

CASH AND CASH EQUIVALENTS (NOK 1 000)	2019	2018
Employee withholding tax	1 318	978
Cash at bank	396 207	113 561
Cash and cash equivalents	**397 525**	**114 539**

Note 12: Share capital, shareholder information and dividend

The share capital as at 31 December 2019 was NOK 2,786,040, with 27,860,400 ordinary shares with a nominal value of NOK 0.1. All issued shares have equal voting rights and the right to receive dividend. No dividend has been paid in the period. Ultimovacs ASA has over 2,000 shareholders as of 31 December 2019, with the 20 largest shareholders as of this date listed in a table below. The movement in the number of registered shares and share capital was as follows:

CHANGES TO SHARE CAPITAL	SHARE CAPITAL NUMBER OF SHARES	SHARE CAPITAL (NOK 1 000)
At 1 January 2018	606 160	606 160
Issuance of ordinary shares	34 656	34 656
At 31 December 2018	**640 816**	**640 816**
Share split	15 379 584	961 224
Issuance of ordinary shares (IPO)	11 840 000	1 184 000
At 31 December 2019	**27 860 400**	**2 786 040**

In relation to the acquisition of TET Pharma AB (Ultimovacs AB) in 2018, the purchase price for the company was partly paid in cash and partly in shares in Ultimovacs AS. Ultimovacs AS issued 34,656 new shares to the seller, Immuneed AB, as part of this payment. There were no transaction costs related to this share issue. Refer to note 18 regarding this transaction.

On 3 June 2019, Ultimovacs ASA was listed on the Oslo Stock Exchange through an initial public offering (IPO). In this process, the company carried out an equity issue raising gross proceeds of MNOK 370 by offering 11,840,000 new shares. The price per Offer Share was set at NOK 31.25, corresponding to market capitalisation of Ultimovacs at IPO of approximately MNOK 870. Costs directly attributed to the share issue have been deducted against equity, amounting to MNOK 25.4 for the whole IPO process, giving total net proceeds from the share issue MNOK 344.6 (compared to gross proceeds of MNOK 370.0).

Prior to the IPO, the existing shares were split 1x25, increasing the number of shares to 16,020,400 prior to the IPO. In addition, the nominal value per share was reduced from NOK 1 to NOK 0.1.

The transaction costs related to the share-issues amounted to MNOK 25.4 in 2019 and NOK 0 in 2018, and have been recognised against share premium. For computation of earnings per share and diluted earnings per share see Note 8.

Note 12: Share capital, shareholder information and dividend (continued)

THE 20 MAIN SHAREHOLDERS AS AT 31 DECEMBER 2019	NUMBER OF SHARES	OWNERSHIP INTEREST
Gjelsten Holding AS	5 747 599	20.6%
Canica AS	2 232 663	8.0%
Inven2 AS	2 021 775	7.3%
Watrium AS	1 620 925	5.8%
Radiumhospitalets Forskningsstiftelse	1 395 875	5.0%
Langøya Invest AS	1 226 325	4.4%
Helene Sundt AS	782 132	2.8%
CGS Holding AS	782 132	2.8%
SEB Prime Solutions Sissener Canopus	672 855	2.4%
Sundt AS	617 150	2.2%
KLP AksjeNorge	600 000	2.2%
Danske Invest Norge Vekst	600 000	2.2%
Brown Brothers Harriman (Lux.) SCA (Nominee)	490 467	1.8%
Prieta AS	485 175	1.7%
Verdipapirfondet Nordea Avkastning	444 600	1.6%
JP Morgan Chase Bank, N.A., London (Nominee)	429 417	1.5%
Kommunal Landspensjonskasse	400 000	1.4%
Swedbank AB	384 827	1.4%
Verdipapirfondet Nordea Kapital	271 550	1.0%
ABN AMRO Global Custody Services (Nominee)	263 246	0.9%
20 Largest shareholders	**21 468 713**	**77.1%**
Other shareholders	6 391 687	22.9%
Total	**27 860 400**	**100.0%**

Three members of the Management team in the Company holds a total of 300.700 ordinary shares in Ultimovacs ASA.

NUMBER OF SHARES HELD BY CEO AND THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2019	POSITION	NUMBER OF SHARES
Øyvind Kongstun Arnesen - through Vitmed AS	CEO	160 000
Kristin L. A. Wilhelmsen - through Watrium AS *	Board member	1 620 925
Ketil Fjerdingen - through Langøya Invest AS	Board member	1 226 325
Leiv Askvig - through Basen Kapital AS	Board member	79 500
Henrik Schussler - through Fireh AS	Board member	19 200
Eva S. Dugstad	Board member	6 400
Kari Grønås - through K OG K AS	Board member	5 040
Total shares held by CEO and Board of Directors		**3 117 390**

* Kristin Wilhelmsen with closely related parties is a majority shareholder in the family-owned company Watrium AS, which held 1,620,925 shares in Ultimovacs ASA.

Note 12: Share capital, shareholder information and dividend (continued)

THE 20 MAIN SHAREHOLDERS AS AT 31 DECEMBER 2018	NUMBER OF SHARES	OWNERSHIP INTEREST
Gjelsten Holding AS	195 418	30.5%
Inven2	80 871	12.6%
Canica AS	55 886	8.7%
Radiumhospitalets Forskningsstiftelse	55 835	8.7%
Langøya Invest AS	36 253	5.7%
Immuneed 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%
Holmentjern 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	18 292	2.9%
Total	**640 816**	**100.0%**

Three members of the Management team in the Company held a total of 11,900 ordinary shares in Ultimovacs AS 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 Kongstun Arnesen - 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 L. A. 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.

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 directly from or administered by Inven2 AS amounted to MNOK 1.2 and MNOK 2.5 in 2018 and 2019 respectively (incl. VAT). As per 31 December 2019, Ultimovacs had MNOK 0.7 in outstanding payables to Inven2 AS.

Ultimovacs ASA finances running operations and projects in Ultimovacs AB through unconditional shareholder contributions. In 2019, Ultimovacs ASA contributed with a total of MNOK 6.0 in unconditional shareholder contributions to Ultimovacs AB.

Note 14: Leases and commitments

The Company has implemented IFRS 16 in 2019 with the modified retrospective approach. Hence, the comparative figures for 2018 have not been adjusted.

With the transition to IFRS 16, the Company has recognized the following lease/rental-contracts as right-of-use assets:

- office premises lease contract in Oslo with four years left as of 1 January 2019
- four car-lease contracts, expiring between Q2-20 and Q2-21

The implementation effect as per 1 January 2019 was MNOK 4.6 based on the net present value of future minimum rent/lease-payments related to the non-cancellable contracts. The amount is capitalized as a liability and asset in the balance sheet as per 1 January 2019.

The weighted average discount applied at 1 January 2019 was 6.0%. A further description of the impact of the initial application is disclosed in the table below.

IMPACT OF IFRS16 AS PER 1 JANUARY 2019 AND CARRYING AMOUNTS OF RIGHT-OF-USE ASSETS RECOGNISED (NOK 1 000)	CARS	OFFICE	TOTAL
Operating lease commitment as at 31 December 2018*	**880**	**4 282**	**5 162**
+ Extension options reasonably certain to be exercised	-	-	**-**
- Discounting using the incremental borrowing rate	(57)	(483)	**(540)**
Lease liabilities recognized at initial application	**823**	**3 798**	**4 622**
The weighted average incr. borrowing rate applied:	6.0%	6.0%	6.0%
Right-of-use assets recognized at initial application	**823**	**3 798**	**4 622**

* The operating lease commitment presented in note 14 in the Financial Statements 2018 was MNOK 3.8 (discounted using an incremental borrowing rate of 6.0%), which was related to the office lease commitment. The car-lease commitment of MNOK 0.9 was not identified as a lease commitment as per 31 December 2018.

RIGHT-OF-USE ASSETS (NOK 1 000)	CARS	OFFICE	TOTAL
Right-of-use assets as per 1 January 2019	823	3 798	**4 622**
Depreciation costs during the year	(403)	(1 020)	**(1 424)**
Extension options exercised	-	325	**325**
Balance sheet value as per 31 December 2019	**420**	**3 103**	**3 523**

Note 14: Leases and commitments (continued)

LEASE LIABILITIES (NOK 1 000)	2019
Lease commitment as at 1 January 2019	4 622
Additions	325
Installments during the year	1 321
Lease commitments as at 31 December 2019	**3 626**
Current	1 325
Non-current	2 301

AMOUNTS RECOGNISED IN PROFIT AND LOSS (NOK 1 000)	2019
Depreciation expense of right-of-use assets	1 424
Interest expense on lease liabilities	258
Expense relating to short-term leases (incl. in Other operating expenses)	446
Expense relating to low-value assets (incl. in Other operating expenses)	19
Total amount recognised in profit or loss	**2 146**

The Company had total cash outflows related to leases of MNOK 2.1 in FY19.

The Company has utilised the practical expedients relating to operating leases where short term leases and lease-contracts of low value have not been recognised as right of use assets.

Expenses relating to short-term lease comprise lab premises and parking spaces in Oslo, Norway. These contracts can be terminated by both lessee and lessor within 1 - 3 months.

Expense relating to low-value assets comprise leasing of an office printer in Oslo.

THE FUTURE MINIMUM RENTS RELATED TO NON-CANCELLABLE LEASES (NOK 1 000)	2019
Within 1 year	1 325
1 to 2 years	1 172
2 to 3 years	1 129
After 3 years	-
SUM	**3 626**

Note 15: Share based payment

Share option program (new program established in H1 2019)
A new share equity settled option program was introduced on 3 June 2019 in connection with the initial public offering (IPO). The share option program was approved by the General Assembly 2 May 2019 and the Board was authorized to increase the Company's share capital in connection with share incentive arrangement by up to 10%.

The share option program is groupwide and includes all employees in Ultimovacs ASA and its subsidiary Ultimovacs AB. A total of 557,500 options for shares in the Company have been distributed amongst the employees in Ultimovacs ASA and Ultimovacs AB, of which 339,500 options are allocated to the management team employed in Ultimovacs ASA. The number of options currently granted corresponds to 2.0% of the outstanding number of shares in the Company. Each option gives the right to buy one share in the Company at the agreed exercise price upon grant, and are granted without consideration. Pursuant to the vesting schedule, 25% of the options will vest one year after the day of grant, 25% of the options will vest two years after the day of grant and the remaining 50% will vest three years after the day of grant. Vesting requires the option holder still to be an employee in the Company. The exercise price is NOK 31.25 per share which is equal to the IPO price at listing on Oslo Børs on 3 June 2019. Options that are not exercised within 5 years from the date of grant will lapse and become void.

MOVEMENTS OF OPTIONS DURING 2019	NUMBER OF INSTRUMENTS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding as t 1 January	**-**	**-**
Granted during the year	557 500	31.25
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding as at 31 December	**557 500**	**31.25**
Vested options during the year	-	-

OUTSTANDING INSTRUMENTS OVERVIEW	2019
Number of instruments	557 500
Weighted Average Exercise Price	31.25
Weighted Average remaining contractual life	4.43
Vested/Exercisable instruments as at 31 December	-
Weighted Average Exercise Price on vested instruments	-

ALLOCATION OF OPTIONS TO MANAGEMENT TEAM	POSITION	NUMBER OF OPTIONS*
Øyvind Kongstun Arnesen	Chief Executive Officer	72 000
Hans Vassgård Eid	Chief Financial Officer	62 500
Jens Egil Torbjørn Bjørheim	Chief Medical Officer	53 000
Audun Tornes	Chief Operating Officer	38 000
Gudrun Trøite	Director Regulatory Affairs and QA	38 000
Ingunn Hagen Westgaard	Head of Research	38 000
Øivind Foss	Head of Clinical Operations	38 000
Total allocated share options to the Management Team		**339 500**

*All options have been allocated during the year. No options have been vested or exercised during the year.

Note 15: Share based payment (continued)

Assumptions, costs and social security provisions:
The Ultimovacs Employee Share Options' fair value is calculated according to the IFRS-2 regulations. As stated in IFRS-2 Appendix B §B5 the Black-Scholes-Merton Option Pricing Model ("B&S Model") may be used to estimate the fair value of employee share options, which is therefore used to estimate the fair value of the Ultimovacs Employee Share Options. The model uses the following parameters; the exercise price, the current price of the underlying shares, the life of the option, the expected volatility of the share price, the dividends expected on the shares, and the risk-free interest rate for the life of the option.

The exercise price is set out in the Ultimovacs Award Agreements with each employee and is stated in the Norwegian Krone. The current price of the underlying shares used in the model is the last available closing price of Ultimovacs at grant date.

The risk-free interest rate used in the B&S Model is equal to the rates of the government bond issues of the country in whose currency the exercise price is expressed, with the term equal to the expected term of the option being valued. Since the exercise price is expressed in Norwegian Krone, the "Norges Bank Statskasseveksler" and "Obligasjoner"-rate is used as input. The interest rates used for the options with term structures outside of the quoted terms of Norges Banks interest rates are calculated with the use of a linear interpolation between the two closest quoted rates.

A dividend parameter is not included in the calculations.

The B&S Model assumes that the time from grant until expiry gives the time parameter in the model. This assumption is based on the options being free from restraints and that the owner of the options holds the right to sell the option in the market at any time. As this is not the case for most employee share options, IFRS-2 Appendix B §B16-18, states that a shorter time period can be used as the expected lifetime of the options in some cases. Half a year after vesting date is therefore assumed to be the estimated end-of-lifetime of each option in the model. However, exercise patterns will be monitored, and expected option lifetime will be updated if needed for future grants.

For valuation purposes, expected future volatility of 58.46%, 59.02% and 69.25% has been applied for the three tranches with vesting after 1, 2 and 3 years respectively. As Ultimovacs has not been listed on a stock exchange long enough to have a sufficient share price history to calculate the shares' volatility, comparable firms' share price volatility have been used to estimate the expected volatility.

The fair value of the granted instruments in 2019 have been calculated using a Black Scholes model with the following assumptions:

FAIR VALUE PRICING ASSUMPTIONS	2019
Instrument	Option
Quantity as at 31 December 2019	557 500
Contractual life*	5.00
Exercise price*	31.25
Share price*	31.00
Expected lifetime*	2.75
Volatility*	64.00%
Interest rate*	1.18%
Dividend*	-
Fair value per instrument*	12.65
Vesting conditions	Service condition

*Weighted average parameters at grant of instrument

The total IFRS cost recognized for the option program from its commencement on 3 June 2019 to 31 December 2019 was MNOK 1.9. The total social security provision for 2019 was MNOK 0.2.

Note 15: Share based payment (continued)

Synthetic share program (terminated program)
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 were granted synthetic shares, which were not physically held by the owner. The employees were 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.

The vesting period for all synthetic shares in all of the individual employee-contracts was up to the expiration date 18 May 2021, regardless of when the synthetic shares were allocated. However, upon discretion of the board of directors, or on 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 due and to be settled/terminated. This would trigger the option-strike, resulting in a cash pay-out for all synthetic shares that the holders/employees are entitled to. Based on a discretionary decision made by the board of directors, the IPO of Ultimovacs on Oslo Børs on 3 June 2019 triggered the option-strike. As each share was valued to NOK 31.25 in the IPO, and exercise price for all synthetic shares were NOK 45.32 (corresponding to NOK 1,133 before the share split), all synthetic shares were settled/terminated without any value. Consequently, the liability of MNOK 10.2 related to the synthetic share program was reversed in June 2019. Please refer to the 2018 Financial statement for more information regarding the valuation of the synthetic shares.

MOVEMENTS OF SYNTHETIC SHARES (# SYNTHETIC SHARES)	2019	2018
Outstanding at 1 January	17 306	15 600
Granted during the year	-	1 706
Forfeited during the year	(17 306)	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 December	**-**	**17 306**

Note 16: Other current liabilities

OTHER CURRENT LIABILITIES (NOK 1 000)	2019	2018
Public duties payable	2 424	1 653
Holiday pay payable	2 242	1 763
Share-based payment liability	-	10 207
Accrued expenses	2 250	1 989
Sum	**6 916**	**15 612**

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, SEK 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 1 000)	CHANGE IN FOREIGN CURRENCY	2019	2018
EUR	+10%	1 403	662
	-10%	(1 403)	(662)
GBP	+10%	320	304
	-10%	(320)	(304)
USD	+10%	1 353	641
	-10%	(1 353)	(641)
SEK	+10%	302	78
	-10%	(302)	(78)

Note 17: Financial instruments (continued)

INTEREST RATE SENSITIVITY (NOK 1 000)	CHANGE IN INTEREST RATE	2019	2018
Bank deposits	+2%	6 276	2 783
	-2%	(6 276)	(2 783)
	+5%	15 689	6 958
	-5%	(15 689)	(6 958)

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

INVESTMENT IN SUBSIDIARY (NOK 1 000)	2019	2018
Investment in subsidiary as at 01 January	**55 512**	**-**
Investment in Ultimovacs AB	-	50 447
Transaction costs	-	2 565
Unconditional shareholder contribution to Ultimovacs AB	6 000	2 500
Investment in subsidiary as at 31 December	**61 512**	**55 512**

On the 10 July 2018, Ultimovacs ASA 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. The transaction costs for the acquisition have been added to the total subsidiary investment in the statement of financial position.

Ultimovacs ASA finances running operations and projects in Ultimovacs AB through unconditional shareholder contributions. As at 31 December 2019, Ultimovacs AS has contributed with a total of MNOK 8.5 in unconditional shareholder contributions to Ultimovacs AB, of which MNOK 6.0 in FY19.

The impairment test performed as of 31 December 2019 did not result in any impairment of book value of the investment in Ultimovacs 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 19: Events after the balance sheet date

The coronavirus pandemic has a profound impact on the global economy and no industry seem to be protected from operational and financial consequences. The final impact on any industry or individual company is currently difficult to assess. For a biotech company like Ultimovacs, some of the possible implications of the COVID-19 pandemic will be:

- The initiation, patient inclusion and conduct of clinical trials may be affected. Challenges may arise, for example, from redirection of personnel and other resources from clinical trials to other areas, quarantines, site closures, travel limitations, or other considerations if site personnel or trial subjects become infected. This applies both to hospitals were the clinical trials will be run and to laboratories performing certain services as part of the clinical trial.

  Ultimovacs has previously communicated that the inclusion of the first patient was expected during Q1 2020 in both the INITIUM trial (randomized phase II trial in malignant melanoma) and the NIPU trial (randomized phase II trial in mesothelioma). However, an immediate consequence of the coronavirus pandemic is that clinical trial activities and patient inclusion is now put on hold. The overall activation of sites and patient recruitment in the two phase II trials is currently unclear. Ultimovacs will continue to make all preparations and take all reasonable measures to ensure that the completion of these trials is delayed as little as possible. In the ongoing phase I trial in malignant melanoma in the US, patient recruiting in cohort 2 is still active. Inclusion of cohort 1 in this trial is completed as previously announced, and 1-year safety and efficacy endpoints will be reported H2-2020.

- The supply chain for the investigational products may be interrupted, either at the manufacturing site or with respect to logistical operations. Short-term, Ultimovacs expects supplies of investigational products to be under control.

- The pandemic has caused significant fluctuations in currency exchange rates. The Norwegian Krone (NOK) is currently at a very low level vs. EUR and USD. This will increase Ultimovacs' costs of clinical trials, manufacturing and other projects.

Ultimovacs expects the main consequences to be implications for timing and costs.

Ultimovacs has a strong cash position of MNOK 400 by year-end 2019. This gives a good foundation for executing the current development plan. Potential delays in the trials will to some extent imply that related expenses are also delayed.

The coronavirus pandemic has no consequences for the financial statement for 2019.

There are no other significant subsequent events.

Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Ultimovacs ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ultimovacs ASA, 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 2019, income statement, statements of 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 2019 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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 on the other information obtained prior to the date of the auditor's report, 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

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control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that

a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

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 and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to 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, 1 April 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Tommy Romskaug
State Authorised Public Accountant (Norway)

Glossary

WORDS / TERMS	DESCRIPTION
General/basic terms	
UV1	UV1 is Ultimovacs' synthetic peptide vaccine5
Peptides	Peptides are short or long-chains of amino acids, and amino acids are the building blocks of protein.
Immune response	The activity of the immune system against foreign substances (antigens).
Adjuvant	A medical substance used to enhance the effect of another medical substance.
GM-CSF	"Granulocyte-macrophage colony-stimulating factor". Ultimovacs uses GM-CSF as adjuvant together with UV1 to strengthen the ability of UV1 to stimulate the immune system.
Immune checkpoint inhibitors	Medicines that "takes the brakes off the immune system". The immune system has brakes necessary to balance a normal immune response. The downside to these brakes is that it makes it easier for a tumor to grow because the immune system becomes less able to fight the tumor. By "blocking the brakes", the immune system becomes more potent in killing tumor cells. PD1 / PDL1 inhibitors (Keytruda and Opdivo) and CTLA4 inhibitors (Yervoy – ipilimumab) are examples of Checkpoint inhibitors. There are many others in development.
CTLA-4	A protein found on T cells (a type of immune cell) that helps balancing a normal immune response. The balance is needed to avoid collateral damage of normal cells. When CTLA-4 is bound to another protein called B7, it helps keep T cells from multiplying and killing other cells, including cancer cells. Ipilimumab works by making it difficult for the CTLA4 to bind to B7. Ipilimumab (Ipi/Yervoy) was the first checkpoint inhibitor to reach the market. 19
PD-1 / PD-L1	A protein found on T cells (a type of immune cell) that helps balancing a normal immune response. The balance is needed to avoid collateral damage of normal cells. When PD-1 is bound to another protein called PD-L1, it helps keep T cells from killing other cells, including cancer cells. Some anticancer drugs, called immune checkpoint inhibitors, are used to block PD-1 or PD-L1. When this checkpoint is blocked, the "brakes" on the immune system are released and the ability of T cells to kill cancer cells is increased.
Telomere	To prevent the loss of genes as chromosome ends wear down, the tips of eukaryotic chromosomes have specialized DNA "caps" called telomeres.
Telomerase	Some cells have the ability to reverse telomere shortening by expressing telomerase (hTERT), an enzyme that extends the telomeres of chromosomes. Telomerase is expressed at a high level in over 85% of human tumors. UV1 uses telomerase (hTERT) as an immune therapy target.
Checkpoint inhibitors	
Yervoy (ipilimumab)	Anti-CTLA-4 checkpoint inhibitor from BMS (Bristol-Myers Squibb)
Opdivo (nivolumab)	Anti-PD-1 checkpoint inhibitor from BMS (Bristol-Myers Squibb)
Keytruda (pembrolizumab)	Anti-PD-1 checkpoint inhibitor from Merck
Tecentriq (atezolizumab)	Anti-PD-L1 checkpoint inhibitor from Roche
Bavencio (avelumab)	Anti-PD-L1 checkpoint inhibitor from Merck (Germany)/Pfizer/Eli Lilly
Imfinzi (durvalumab)	Anti-PD-L1 checkpoint inhibitor from AstraZeneca
Clinical trial terms	
CR	Complete response (The disappearance of all signs of cancer in response to treatment. Also called complete remission.)
PR	Partial response (A decrease in the size of a tumor, or in the extent of cancer in the body, in response to treatment. Also called partial remission.)
SD	Stable disease (Cancer that is neither decreasing nor increasing in extent or severity.)
PD	Progressive disease (Cancer that is growing, spreading, or getting worse.)
ORR	Overall response rate = CR + PR
DOR	Duration of response (The length of time that a tumor continues to respond to treatment without the cancer growing or spreading.)

Glossary

WORDS / TERMS	DESCRIPTION
Clinical trial terms	
OS	Overall survival (The length of time from either the date of diagnosis or the start of treatment for a disease, such as cancer, that patients diagnosed with the disease are still alive. In a clinical trial, measuring the overall survival is one way to see how well a new treatment works.)
PFS	Progression-free survival (The length of time during and after the treatment of a disease, such as cancer, that a patient lives with the disease but it does not get worse. In a clinical trial, measuring the progression-free survival is one way to see how well a new treatment works.)
Medical terms	
Intradermal	In order to initiate an immune response, a vaccine must be taken up by antigen presenting cells (dendritic cells). UV1 is administered via the intradermal route, i.e. injection in the dermis, one of the layers of the skin. This layer, underneath the epidermis, is highly vascularized and contains a large amount of immune cells, mainly dermal dendritic cells.
Biopsy	A piece of tissue, normal or pathological removed from the body for the purpose of examination.
IgE	Immunoglobulin E (IgE) are antibodies produced by the immune system. If you have an allergy, your immune system overreacts to an allergen (what you are allergic to) by producing IgE. These antibodies travel to cells that release chemicals, causing an allergic reaction when an allergen enters the body.
Metastasis/ Metastatic cancer	The development of malignant growths at a distance from a primary site of cancer/ Metastatic cancer is cancer that spreads from its site of origin to another part of the body.
SAE	A serious adverse event (SAE) in human drug trials is defined as any untoward medical occurrence that at any dose 1. results in death, 2. is life-threatening 3. requires inpatient hospitalization or causes prolongation of existing hospitalization 4. results in persistent or significant disability/incapacity, 5. is a congenital anomaly/birth defect, or 6. requires intervention to prevent permanent impairment or damage. The term “life-threatening” in the definition of “serious” refers to an event in which the patient was at risk of death at the time of the event; it does not refer to an event which hypothetically might have caused death if it were more severe. Adverse events are further defined as “Any untoward medical occurrence in a patient or clinical investigation subject administered a pharmaceutical product and which does not necessarily have to have a causal relationship with this treatment.”
PSA	Prostate-specific antigen (PSA) is an enzyme (protein) important for reproduction. PSA is present in small quantities in the serum of men with healthy prostates, but is often elevated in the presence of prostate cancer or other prostate disorders.

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Our mission is to extend and improve the life of patients by directing the immune system against the core of cancer.

We will provide universally accessible solutions.