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Company overview

Vaccibody AS is a privately held vaccine company based on the technology conceived at the University of Oslo and Oslo University Hospital in the laboratories of Professors Bjarne Bogen and Inger Sandlie. Vaccibody AS has developed a unique and innovative vaccine platform with the aim to treat and prevent pre-cancerous diseases or cancer as well as infectious diseases. Through its innovative design Vaccibody AS's proprietary vaccine platform generates rapid, durable and broad antibody and T cell responses leading to remarkably potent vaccines.

Vaccibody has developed compelling preclinical data and initiated the first clinical trial with VB10.16, a therapeutic vaccine against cervical precancerous lesion. In parallel, Vaccibody is exploring the novel and promising area of neoantigen-based individualized cancer vaccines and is using the Vaccibody technology to generate first-in-class therapeutics to treat cancers with a high unmet medical need.

Highlights for the 1st quarter 2016 (January-March)

- Clinical Trial VB C-01:
  - Patient enrolment for phase I (dosing phase) completed
  - No safety concerns observed
  - Promising preliminary immune response data

- Neoantigen-based individualized cancer vaccine program
  - 20 mill NOK granted from the BIA program at NRC
  - Preclinical studies suggest that the Vaccibody format is ideally suited to induce strong and broad neoepitope-specific immune responses.

Key figures	***1st quarter***		***Full year***
Amounts in NOK 1,000	**2016**	**2015**	**2015**
Total revenue and other income	1 290	1 426	5 623
Total operating expenses	5 821	5 481	18 931
Operating profit (loss)	**-4 531**	**-4 055**	**-13 307**
Net profit (loss) for the period	**-4 463**	**-3 981**	**-13 091**
Net proceeds from equity issue	-	-	556
Net cash flow	-4 260	-2 726	-12 289
Cash and cash equivalents, end of period	12 828	26 651	17 088
Outstanding shares, beginning of period	1 215 349	1 197 819	1 197 819
Outstanding shares, end of period	1 215 349	1 197 819	1 215 349
Empoyees, end of period	6	3	5

Clinical review

The Company's core focus in Q1 2016 was to complete the enrolment of the dosing phase (phase I) of the first-in human study for VB10.16 with the title "An exploratory, safety and immunogenicity study of the human papillomavirus (HPV16) immunotherapy VB10.16 in women with high grade cervical intraepithelial neoplasia (HSIL; CIN 2/3)". This important milestone was achieved within February 2016.

The treatment has been tolerated by all patients. No serious adverse events, no significant systemic or local site reactions has been observed.

During this first phase, two different vaccination schedules of VB10.16 are tested to select the best regimen for the subsequent expansion phase (phase IIa). This decision as to which vaccination schedule to move forwards with in phase IIa will be based on the assessment of the HPV16 specific immune responses as well as on the clinical responses.

Very interestingly, preliminary analysis in a handful of patients already demonstrated a strong T cell response in the patients tested. Even if these are early data, they strongly indicate that VB10.16 has generated a rapid and solid immunological response, a prerequisite for having an effective vaccine with the ability to remove the cervical lesions caused by the HPV16. During the coming months we will continue to follow patients to complete a detailed analysis of the safety, immunogenicity and clinical efficacy.

Review of other operations

Vaccibody is exploring the exciting field of targeted personalized neoantigen-based cancer vaccines. With the support from NRC's BIA Program (20 million NOK over a four-year period), Vaccibody has initiated a number of preclinical proof of concept studies. Results obtained until now suggest that the Vaccibody DNA vaccine platform is ideally suited to hold multiple neoepitopes in a single vaccine and that these vaccines generate a significantly more rapid, stronger and broader tumour-specific immune response than competing neoepitope vaccine technologies in mice models.

A patient-specific manufacturing procedure has been designed and a manufacturer with relevant expertise has been identified. Preparation of a Scientific Advice Meeting with Paul Ehrlich Institute, Germany has been initiated. The topic of the meeting will be to discuss the preclinical and manufacturing requirements as well as a clinical trial design for neoantigen-specific Vaccibody DNA vaccines.

Financial review

Profit and loss statement
Other income in the 1st quarter of 2016 was KNOK 1,284 compared to KNOK 1,426 in the same quarter of 2015, as the BIA-grant from the Norwegian Research Council for the VB10.16 development will be lower in 2016 than in 2015. The new BIA-grant for the neoantigen program will be recognized from 2Q16.

Total operating expenses were increased to KNOK 5,821 in the 1st quarter of 2016 from KNOK 5,481 in the same quarter in 2015. *Payroll and related expenses* was KNOK 2,001 in the 1st quarter of 2016 compared to KNOK 845 in the same quarter of 2015. In 1st quarter of 2015 the Company had an interim CEO on a consultancy contract, hence the expenses were recognized as Other operating expenses. Further, staff has increased by two employees in addition to the new CEO in 1st quarter 2016 compared to the same quarter in 2015. *Procurement of R&D services and IP expenses* were reduced to KNOK 2,492 in the 1st quarter of 2016 compared to KNOK 3,551 in the same quarter of 2015, as increased costs for the clinical development (VB10.16) was offset by lower expenses for pre-clinical development (VB10.16), GMP manufacturing and patent expenses. *Other operating expenses* increased to KNOK 1,298 in the 1st quarter of 2016 compared to KNOK 1,057 in the same quarter of 2015, mainly due to expenses for the neoantigen program.

Statement of financial position
On March 31, 2016, Vaccibody had total assets of KNOK 17,396, hereunder *Cash and cash equivalents* of KNOK 12,828 and *Receivables* of KNOK 4,116. *Receivables* include mainly grants earned and to be received later in 2016. *Shareholders' equity* was KNOK 13,164.

Outlook

For the upcoming twelve months, the Company's plans include:

- Clinical Trial VB C-01
    - Final analysis of the dosing phase (Phase I)
    - Decision regarding initiation of the extension phase (phase IIa)
    - Selection of vaccination schedule for extension phase (phase IIa)
- Continued work towards clinical development of targeted personalized neoantigen-based cancer vaccines including more supportive preclinical experiments, regulatory scientific advice meeting, preparation of patient-specific vaccine manufacturing and clinical study design.

The Company is in continuous dialogue with academic and industrial entities and will announce new collaborations and partnerships when they may occur.

The Company expects that its current available cash and expected future grants will finance its operations until the end of 2016. The Company plans to make a decision about initiation of the phase IIa of the clinical study by mid-2016. As the finalization of this study extends beyond the company's current cash runway at the end of 2016, the board is considering alternative routes to secure further finances. The company will announce the outcome of these considerations in due course.

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Profit and loss statement *NOK 1,000*	*1st quarter* **2016**	 **2015**	*Full year* **2015**
Revenue	6	-	-
Other income	1 284	1 426	5 623
Payroll and related expenses	2 001	845	5 269
Procurement of R&D services and IP expenses	2 492	3 551	9 209
Depreciation	29	29	116
Other operating expenses	1 298	1 057	4 337
Total operating expenses	**5 821**	**5 481**	**18 931**
Operating profit (loss)	**-4 531**	**-4 055**	**-13 307**
Net financial items	**68**	**75**	**216**
Profit (loss) before income tax	**-4 463**	**-3 981**	**-13 091**
Income tax	-	-	-
Net profit (loss) for the period	**-4 463**	**-3 981**	**-13 091**

Statement of financial position *NOK 1,000*	**31.03.16**	**31.12.15**	**30.09.15**	**30.06.15**	**31.03.15**	**31.12.14**
Intangible assets	300	300	300	300	300	300
Property, plant and equipment	152	117	156	175	204	233
Total non-current assets	**452**	**417**	**455**	**475**	**504**	**532**
Receivables	4 116	3 917	4 306	3 935	3 384	4 130
Cash and cash equivalents	12 828	17 088	19 178	22 507	26 651	29 377
Total current assets	**16 944**	**21 005**	**23 484**	**26 442**	**30 034**	**33 506**
Total assets	**17 396**	**21 422**	**23 940**	**26 917**	**30 538**	**34 039**
Share capital	1 215	1 215	1 201	1 201	1 198	1 198
Share premium	55 154	55 154	54 669	54 669	54 616	54 616
Retained earnings (accumulated losses)	-43 205	-38 742	-34 607	-31 959	-29 631	-25 651
Shareholders' equity	**13 164**	**17 627**	**21 262**	**23 910**	**26 182**	**30 162**
Accounts payable	408	1 293	468	707	2 687	1 785
Other current liabilities	3 824	2 502	2 209	2 299	1 669	2 092
Current liabilities	**4 232**	**3 795**	**2 678**	**3 007**	**4 356**	**3 876**
Total liabilities	**4 232**	**3 795**	**2 678**	**3 007**	**4 356**	**3 876**
Total Equity and Liabilities	**17 396**	**21 422**	**23 940**	**26 917**	**30 538**	**34 039**

Statement of changes in equity *NOK 1,000*	Share capital	Share premium	Accumulated losses	Total equity
Balance at 01.01.2015	**1 198**	**54 616**	**-25 651**	**30 162**
Loss for the period			-13 091	-13 091
Issue of ordinary shares	18	538		556
Balance at 31.12.2015	**1 215**	**55 154**	**-38 742**	**17 627**
Balance at 01.01.2016	**1 215**	**55 154**	**-38 742**	**17 627**
Loss for the period			-4 463	-4 463
Issue of ordinary shares	-	0		-
Balance at 31.03.2016	**1 215**	**55 154**	**-43 205**	**13 164**

Statement of cash flow *NOK 1,000*	*1st quarter* 2016	2015	*Full year* 2015
Loss for the period	**-4 463**	**-3 981**	**-13 091**
Adjustments for:			
Interest income	-103	-125	-355
Interest expenses	35	50	139
Depreciation	29	29	116
Change in trade receivables	183	-38	-90
Change in trade payables	-885	902	-492
Change in receivables related to grants	-382	784	303
Change in other current liabilities	1 322	-422	410
Net cash flow from operating activities	**-4 264**	**-2 801**	**-13 061**
Purchase of property, plant and equipment	-65	0	0
Interest income	103	125	355
Net cash flow from investing activities	**38**	**125**	**355**
Interest expenses	-35	-50	-139
Proceeds from equity issue	0	0	556
Net cash flow from financing activities	**-35**	**-50**	**417**
Net change in cash and cash equivalents	**-4 260**	**-2 726**	**-12 289**
Cash and cash equivalents at begining of period	17 088	29 377	29 377
Cash and cash equivalents at end of period	**12 828**	**26 651**	**17 088**

Notes to the Quarterly Financial Statement

Note 1 Accounting policies

The financial statements of Vaccibody AS for 2015 and 2016 are presented in accordance with the Norwegian Accounting Act and generally accepted accounting principles for small-size companies.

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Note 2 Other income

Vaccibody AS has a contract with the Norwegian Research Council regarding a grant under the BIA-programme for the development of VB10.16. The total amount available to the Company under the contract is MNOK 15.5 for the period 2012-2016. The Company has recognized MNOK 4.4, MNOK 6.4 and MNOK 2.7 of the grant in 2013, 2014 and 2015 respectively, and MNOK 0.4 in the 1st quarter of 2016.

Vaccibody AS is part of a consortium in the ADITEC-programme, which is funded by the European Union's Seventh Programme. The Company recognized MNOK 0.5, MNOK 0.3 and MNOK 0.1 of this grant in 2013, 2014 and 2015 respectively.

Vaccibody AS is part of the consortium "SAPHIR", which is funded by the European Union's Horizon 2020 programme. The Company recognized MNOK 0.04 of this grant in 2015.

Vaccibody AS is eligible for grant under the Norwegian Skattefunn programme. The Company has recognized MNOK 1.33, MNOK 1.77 and MNOK 2.77 of the grant in 2013, 2014 and 2015 respectively, and MNOK 0,9 in the 1st quarter of 2016.

Note 3 Share capital and shareholders

Table of shareholders as of March 31, 2016:

Shareholder	Shares	Ownership
Sarsia Seed AS	291 240	23,96 %
Radiumhospitalets forskningsstiftelse	205 570	16,91 %
Datum Invest AS	134 500	11,07 %
Inven2 AS *(1)*	90 270	7,43 %
Kreftforeningen	61 800	5,08 %
Portia AS	52 200	4,30 %
OM Holding AS	39 100	3,22 %
Arctic Funds PLC	28 500	2,35 %
MP Pensjon PK	26 100	2,15 %
Oslotech AS	20 670	1,70 %
Other	265 399	21,84 %
Total	**1 215 349**	100,00 %

(1) Inven2 AS holds 33 000 shares on behalf of the inventors of the Company's technology, Bjarne Bogen, Inger Sandlie and Agnete B. Fredriksen.

The Company has issued 86,810 warrants to inventors, key employees, former employees and members of the board.

Disclaimer

This quarterly report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements

that are not historical facts, sometimes identified by the words "believes", "expects", "intends", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this quarterly report, including assumptions, opinions and views of the Company or cited from third party sources are solely opinions and forecasts, which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. Neither the Company nor any of its Directors, officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this quarterly report or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to our actual results.