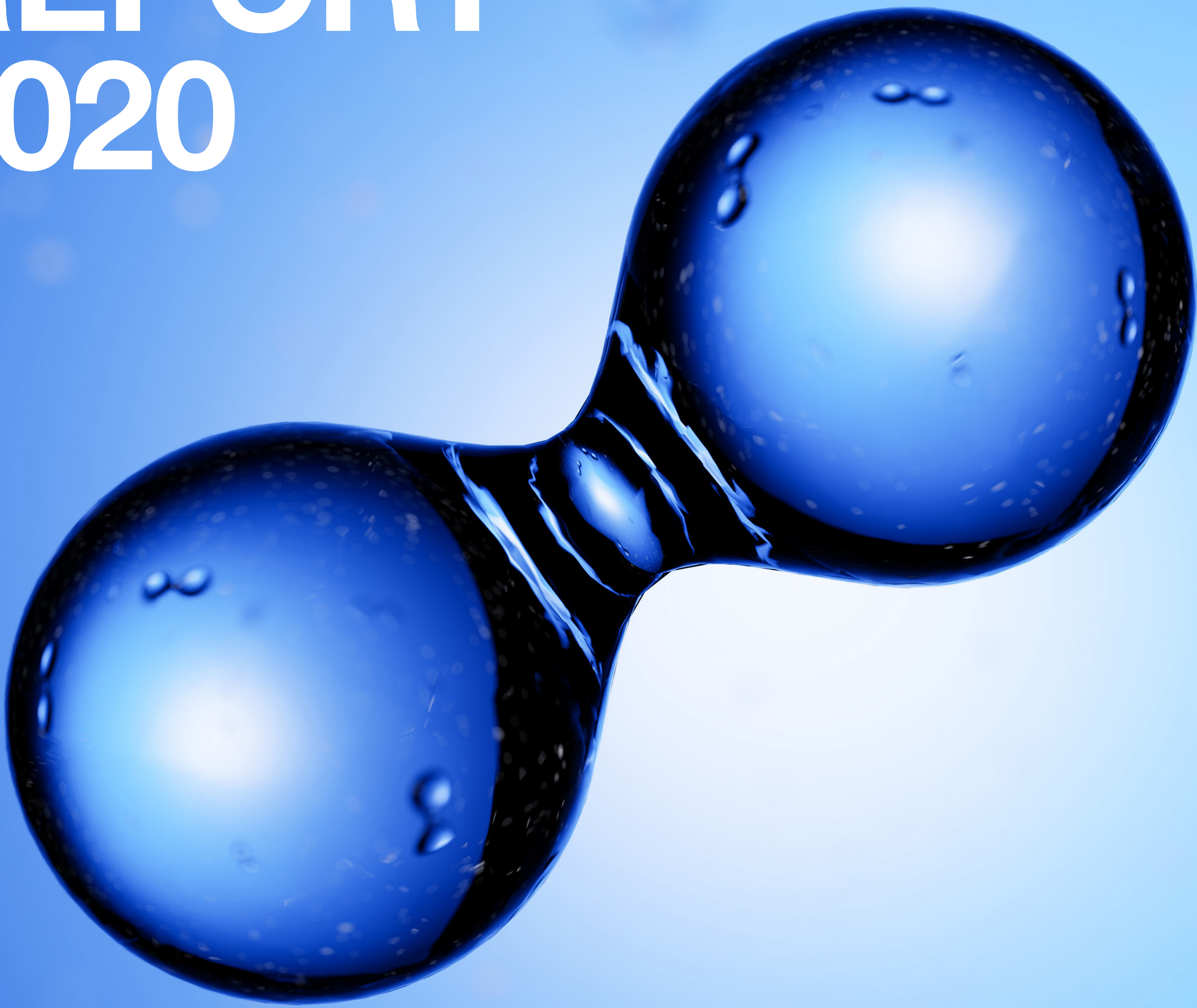
ANNUAL REPORT 2020



EXACT TX

CONTENTS

OUR VISION

EXACT Therapeutics (“EXACT-Tx”) (Euronext Growth: EXTX) is a clinical stage biopharmaceutical company with a vision to harness the power of ultrasound in precision therapeutic amplification across a multitude of therapeutic areas and product classes.

HIGHLIGHTS 2020

In 2020 EXACT-Tx was listed on the Merkur Market (now Euronext Growth) in Oslo, Norway, following a successful private placement raising NOK 145 million to drive both the ongoing development of the Acoustic Cluster Therapy (ACT®) platform as well as corporate development. The Phase I ACTIVATE study being conducted at the Royal Marsden Hospital, London, UK, continued to enrol patients with metastatic colorectal cancer, however the impact of COVID-19 slowed enrolment into the study, particularly during the second and third quarters when restrictions were most stringent.

- NOK 145 million* private placement in July, expansion of the shareholder base and listing on the Merkur Market (now Euronext Growth Oslo)
- Appointment of Dr Spiros Kotopoulis as Chief Technology Officer
- Appointments of Dr Aitana Peire and Dr Susanne Stuffers to the Board
- Company changed name to EXACT Therapeutics AS
- Appointment of Dr Rafiq Hasan as Chief Executive Officer
- Ongoing enrolment in Phase I ACTIVATE study at Royal Marsden Hospital, UK
- Establishment of UK subsidiary and opening of London, UK, office

* Gross proceeds of NOK 155 million and NOK 10 million secondary sale by two founders.

COVID-19 IMPACT

The financial position has remained robust following the financing and listing in Q3 with a strong cash position at year end. In addition to cost control measures, operational activities were curtailed resulting in reduced overall spend for the year.

CLINICAL TRIAL

The rate of patient recruitment into the Phase I ACTIVATE study declined in line with the broader impact on the biopharmaceutical sector.

The Royal Marsden Hospital was the only recruiting centre for the study, hence COVID-19 restrictions in the UK had a significant impact on patient enrolment. Given the profile of the participating patients and the need to attend hospital for multiple cycles of chemotherapy, no patients were enrolled during the summer months.

Enrolment restarted in August 2020 and continues.

WORKING ENVIRONMENT

As a result of COVID-19 national guidelines in both Norway and the UK, business continuity plans were implemented, enabling operations to continue uninterrupted through a combination of remote and office working. All personnel were provided the ability to work from home and all essential laboratory research was performed in a socially distanced manner and by scheduling R&D activities to minimise unnecessary close proximity. Personal protective equipment was provided to all personnel. All R&D staff are trained to ensure all work is performed safely according to standard laboratory safe practices where applicable.

CEO STATEMENT

Dear Shareholders, I am pleased to report on a successful and eventful year for EXACT Therapeutics AS. I was delighted to join the Company on August 1st, following a successful financing and listing on the Merkur Market (now Euronext Growth) in July.

The potential for our Acoustic Cluster Therapy (ACT®) platform to become a key frontier in precision medicine is indeed an exciting prospect and leverages developments in both therapeutics and technology. The Company originally spun out of GE Healthcare as Phoenix Solutions in 2012 with the express intention to develop an innovative ultrasound mediated therapeutic amplification platform, Acoustic Cluster Therapy (ACT®). The technology is based on a novel proprietary microbubble-microdroplet formulation (denoted PS101) that is administered alongside standard of care therapeutics where, upon application of dual frequency ultrasound results in the formation of large microbubbles that exert biomechanical pressure within the microvasculature to enhance extravasation of the co-administered therapeutic agent at the target site of action. The familiarity and near ubiquitous nature of ultrasound, alongside approved and well characterised therapeutics, is an important feature of the ACT® platform.

This precision medicine strategy has been investigated in a number of preclinical oncology models in collaboration with leading global academic centres and clinicians such as Professor Daniel von Hoff at the Translational Genomics Research Institute (TGen) in Phoenix, Arizona (US) and the Institute for Cancer Research (ICR) in London (UK). These studies provided a strong foundation for the potential of ACT® to significantly enhance the therapeutic effect of a number of different molecules, particularly in the management of cancers where significant unmet need remains such as pancreatic cancer.

This was the basis for initiation of the Phase I ACTIVATE study in September 2019 at the Royal Marsden Hospital in London, evaluating the safety, tolerability, pharmacokinetics and pharmacodynamics of ACT® in patients with liver metastases secondary to colorectal and pancreatic ductal adenocarcinoma (PDAC). This study will form the basis for the future development of ACT® in oncology, providing important insights regarding the safety, tolerability and pharmacokinetics of PS101, as well as allowing a preliminary evaluation of efficacy through measuring the impact on tumour size and volume.

Initial recruitment into the study was on track with five patients enrolled through to March 2020. However, understandably the COVID-19 pandemic significantly impacted operational activities across the industry with a slower than anticipated summer period. The study restarted in August and continues to progress with expansion in both the UK and Norway planned. I am excited by the prospect of continued data generation from this study and sharing this with stakeholders in the near future. Furthermore, the platform potential of ACT® remains attractive and will be explored in therapeutic segments beyond oncology.

I am grateful to the individuals, families, and clinical trial team at the Royal Marsden for their support in our clinical trial. Furthermore, I would also like to thank the employees at EXACT and our collaborators for their hard work and commitment as well as our Board and shareholders for their support and guidance. I am looking forward to an exciting year ahead.

Rafiq Hasan, CEO

COMPANY HISTORY AND TECHNOLOGY

EXACT Therapeutics AS is a clinical stage Norwegian biopharmaceutical company spun out of GE Healthcare in 2012, currently developing a technology platform for targeted therapeutic amplification – Acoustic Cluster Therapy (ACT®).

STRATEGIC REPORT

EXACT Therapeutic's (EXACT-Tx) vision is to harness the power of ultrasound in precision therapeutic amplification across a multitude of therapeutic areas and product classes. The Company's mission is to extend and enrich patient lives through targeted ACT® therapeutic enhancement. Whilst the initial focus of the Company is oncology due to significant unmet need, ACT® will be further evaluated for use in other therapeutic areas including central nervous system (CNS) conditions and infectious diseases.

EXACT-Tx is located in Oslo, Norway, with a London, UK, subsidiary having been established in 2020. Research and development of ACT® has been conducted in collaboration with leading institutions in oncology R&D including the Institute for Cancer Research ('ICR')/Royal Marsden Hospital in London, UK, the Translational Genomics Research Institute in Phoenix, Arizona, US ('TGen') and the Norwegian University of Science and Technology in Trondheim, Norway ('NTNU'). The Company has a long history of collaboration with GE Healthcare including manufacturing of the ACT® microbubble/microdroplet formulation (PS101) and ultrasound probe development.

Despite recent advances in therapeutics, the management of many cancers remains challenging due to suboptimal penetration of systemically administered anti-cancer agents, such as small molecules and antibodies.

ACT® is supported by a strong and broad preclinical data package demonstrating therapeutic enhancement in multiple oncology models (pancreatic, breast, colon and prostate cancer) as well as blood-brain barrier penetration, whilst the first-in-human Phase I ACTIVATE study has been initiated at the Royal Marsden Hospital in London in September 2019.

If successful, ACT® has the potential to deliver a compelling value proposition to clinicians, patients, payers, healthcare systems and investors. The ACT® platform has the potential to be disease and drug agnostic and is being developed for use with clinically approved diagnostic ultrasound scanners that are commonly found in hospitals and clinics worldwide.

INDUSTRY CONTEXT

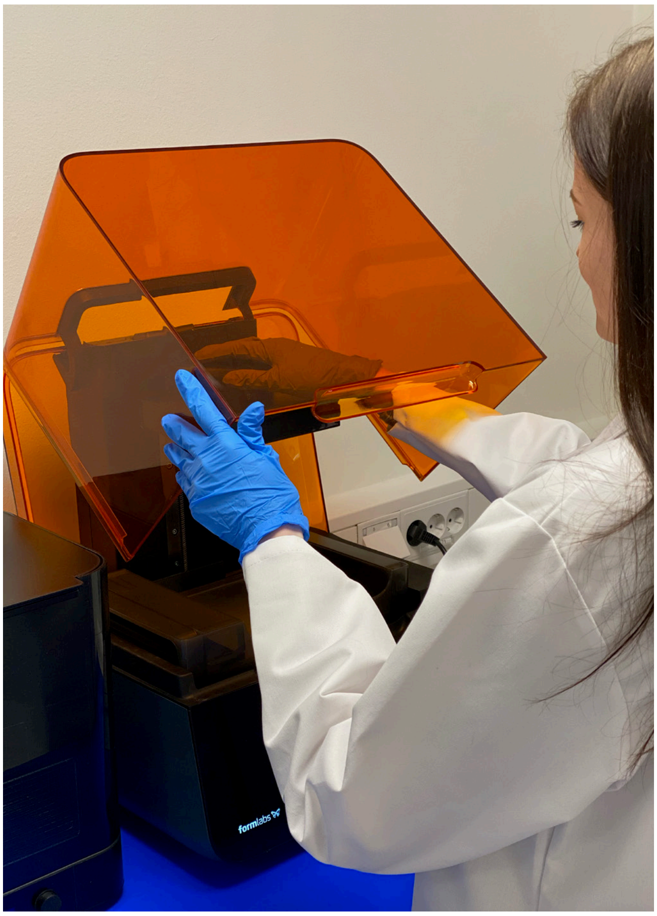
Cancer is the second leading cause of death globally and is responsible for approximately 10 million deaths per year. Globally, about 1 in 6 deaths is due to cancer placing significant burdens on healthcare systems. The prevalence of cancer is expected to continue to rise due to the global ageing population and despite significant improvements in therapeutic options, the global mortality and morbidity from cancer is significant.

It is estimated that 2020 global sales of oncology therapeutics were greater than $150 billion, accounting for almost 20% of all pharmaceutical sales and consequently, the largest therapeutic segment. These market dynamics are anticipated to continue with global sales expected to increase robustly reaching $300 billion in 2026. Consequently, the oncology therapeutic segment remains of high interest to pharmaceutical companies due to both the current unmet medical need and large patient populations. In many instances, the effective treatment of cancer remains challenging and is a key driver for ongoing research and development efforts to find novel treatments and drug delivery strategies.

Given the level of unmet need, regulators such as the FDA have demonstrated flexibility in rapid evaluations of urgently needed therapies on the basis of early clinical trial data to provide potentially beneficial therapeutic options to clinicians and patients. Hence, the broader clinical and regulatory environment is likely to be receptive to treatment strategies that have the potential to transform the current treatment paradigm.

In recent years, interest in precision medicine strategies has grown rapidly, particularly with the emergence of targeted therapies, immunotherapies and therapies associated with predictive biomarkers, many of which have been established as the standard of care in many cancers. Such therapeutic approaches have the potential to achieve transformational responses in select patient populations, however, despite these successes, challenges remain due to acquired treatment resistance and disease progression.

Against this backdrop, a precision medicine strategy that is minimally invasive and both drug and disease agnostic is highly attractive. There has been significant interest in recent years in utilising ultrasound and microbubbles to drive targeted therapeutic amplification through a mechanism termed sonoporation. Microbubbles and ultrasound have been used for decades in a diagnostic setting with an excellent safety profile based on the inert nature of the formulations available. Furthermore, the near ubiquitous availability of ultrasound systems in healthcare settings worldwide provides a strong foundation for the future potential and adoption of sonoporation.



Sonoporation occurs when intravenously administered microbubbles are activated by the application of ultrasound resulting in the generation of biomechanical forces in the microvasculature and consequent increased extravasation of the co-administered therapeutic agent at the target site. This approach is attractive as the microbubbles/ultrasound can be administered alongside standard of care therapeutics with no modification in formulation required. Early clinical trial data from a pilot study in pancreatic cancer [Dimcevski, Kotopoulis, Bjanes *et al.* J. Control. Release, 243 (2016), 172] suggests that ultrasound mediated therapeutic amplification could be a valuable treatment approach with indicators of improved outcomes and adherence to chemotherapy.

ACOUSTIC CLUSTER THERAPY

Acoustic Cluster Therapy (ACT®) was developed following initial work conducted at GE Healthcare as part of a program to develop a new ultrasound contrast agent.

EXACT Therapeutics was formed in 2012 with the objective to build on this initial work and develop an innovative and effective therapeutic targeting platform using microbubbles and ultrasound. Despite the interest within the ultrasound community in the therapeutic application of microbubbles, currently available contrast agents have a number of limitations, not least of which is the size of the administered microbubbles. Given the biomechanical mode of action that underpins sonoporation, the size of the microbubbles in the vasculature is an important determinant of efficacy.

ACOUSTIC CLUSTER THERAPY

ACT® comprises three components:

1. A proprietary intravenous formulation (PS101) of stabilised microbubbles (perfluorobutane) and microdroplets (perfluoromethylcyclopentane) that are biologically inert and metabolised fairly rapidly and excreted within 1-2 hours through the lungs whilst the stabilising lipids enter the endogenous pool.
2. Standard of care therapeutics, for example intravenous chemotherapeutic regimes that are administered alongside PS101, in accordance with the respective product labels.
3. Standard diagnostic application of ultrasound, using a bespoke dual-frequency probe, that is applied to the target site following administration of PS101 and the therapeutic agent.

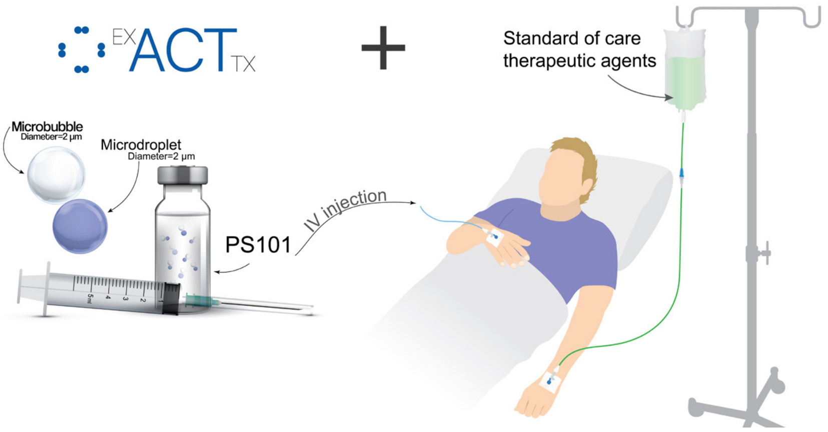


Figure 1: Acoustic Cluster Therapy includes the use of PS101 + application of ultrasound.

OUR APPROACH

The proprietary microbubble/microdroplet formulation (PS101) has been specifically designed and optimised to firstly penetrate even the smallest microcapillaries in the vasculature and upon activation expand to form large microbubbles that occupy the vessel and thereby exert potent biomechanical forces to drive extravasation of the co-administered chemotherapeutic at the target site of action.

To achieve this, the microdroplet undergoes a liquid to gas phase shift upon exposure to high frequency ultrasound (>1MHz). This creates a relatively large microbubble (~20µm diameter) which temporarily occludes the microcapillary. Once generated, the microbubble is then stimulated through the application of low frequency ultrasound (~0.5MHz) causing the bubble to oscillate and thereby open up the tight junctions between vascular endothelial cells, allowing greater diffusion of the co-administered therapeutic at the target site. These larger microbubbles expand and contract rapidly in a stable and controllable manner.

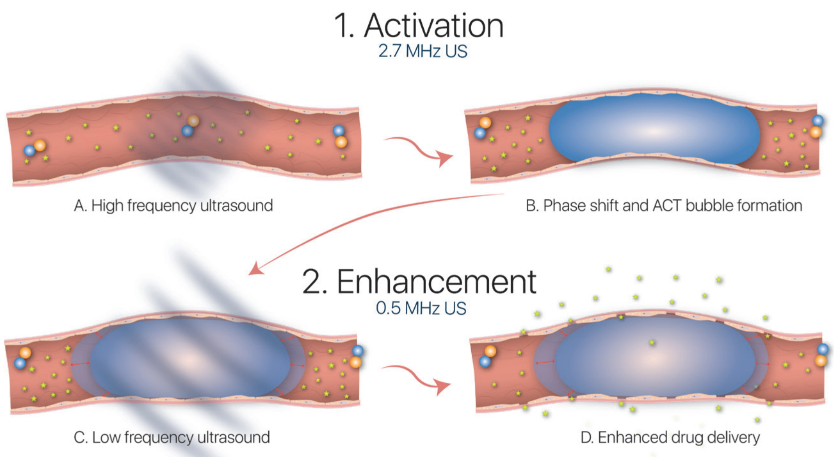


Figure 2a: ACT® mechanism of action

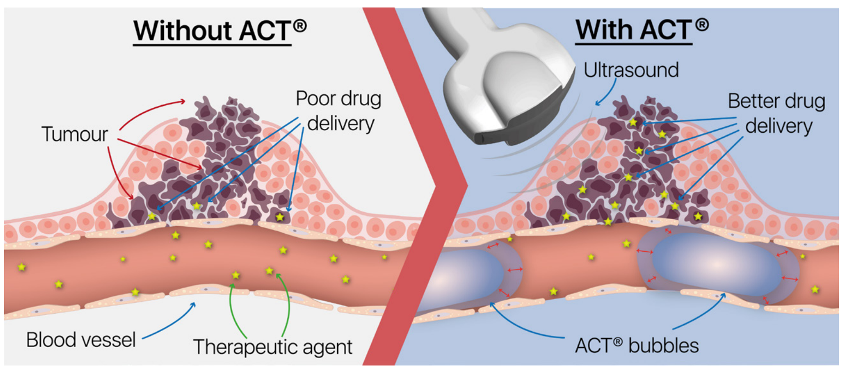


Figure 2b: ACT® mechanism of action

OUR APPROACH

The simplicity of application of ACT® and its minimally invasive approach are important considerations with respect to workflow integration, adoption and differentiation. The ease of intravenous administration of PS101 is similar to the co-administered chemotherapy, whilst the compatibility of the platform with existing ultrasound scanners will further facilitate rapid uptake in both the hospital and office/out-patient settings. The co-administration of known and established chemotherapeutic agents and the application of ultrasound energy levels well within safe and approved ranges will provide additional reassurance to clinicians and patients.

Finally, the minimal infrastructure requirements, essentially a bespoke ultrasound probe, should allow rapid and widespread adoption, whilst competitor offerings may require significant investments in either scanner technology or other hardware.

In summary ACT® has the potential:

- to enhance the efficacy and, in turn, the risk-benefit profile of co-administered drugs
- to be applicable to a multitude of localised pathologies
- to be agnostic of product class
- to be compatible with state-of-the-art ultrasound scanners

OUR APPROACH

The ACT® platform technology has been evaluated in a number of preclinical murine cancer models which demonstrated a remarkably consistent and profound impact on endpoints of tumour progression and growth. These studies were conducted with a range of leading academic partners including the Institute for Cancer Research ('ICR')/ Royal Marsden Hospital in London, UK, the Translational Genomics Research Institute in Phoenix, Arizona, US ('TGen') and the Norwegian University of Science and Technology in Trondheim, Norway ('NTNU'). Compelling preclinical data in models of pancreatic, prostate, breast and colon cancer provided the foundation to proceed into Phase I clinical development.

DISEASE MODEL (MICE)	DRUG CO-ADMINISTERED	PRECLINICAL OUTCOME	RESEARCH GROUP
Prostate cancer	Abraxane®	**100% complete remission** at 80 days vs 0% drug alone	Prof Catharina de Lange Davies, NTNU, Norway
Breast cancer	Doxil®	**63% complete response** at 200 days vs 0% drug alone	Prof Jeff Bamber, ICR, UK
Colon cancer	Irinotecan	**75% reduction in growth** at 27 days 24% vs 6% complete response at day 120	Prof Jeff Bamber, ICR, UK
Pancreatic cancer	Abraxane®-Gemcitabine	**90% reduction in growth** at 50 days 50% vs 11% complete response	Prof Daniel Von Hoff, TGen, Arizona, US
Pancreatic cancer	Onivyde®	**87% reduction in growth** at 50 days 50% vs 11% complete response	Prof Daniel Von Hoff, TGen, Arizona, US
Prostate cancer	Methotrexate	**90% reduction in growth** at 22 days 72% vs 0% complete response at day 50	Prof Catharina de Lange Davies, NTNU, Norway

These studies combined ACT® with a number of different types of chemotherapeutic agents including small molecules and nanoparticles suggesting that this treatment approach has the potential to be drug and disease agnostic. Although the initial focus of the Company remains in oncology, additional exploration of the potential in other therapeutic areas is planned.

OUR APPROACH

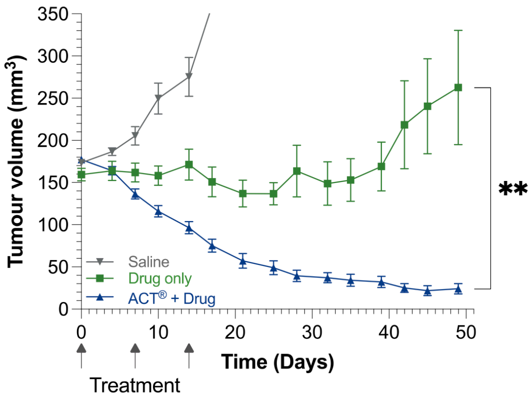
ACT® was evaluated for the treatment of pancreatic cancer in two preclinical studies conducted by the Translational Genomics Institute in Phoenix, Arizona, US. The studies were performed in collaboration with Professor Daniel Von Hoff, a pioneer in the clinical field of pancreatic cancer treatment.

The studies evaluated two clinically used therapeutic regimens in the treatment of pancreatic cancer:

1. Nab-paclitaxel (Abraxane®) + gemcitabine alone or in combination with ACT®
2. Liposomal irinotecan (Onivyde®) alone or in combination with ACT®

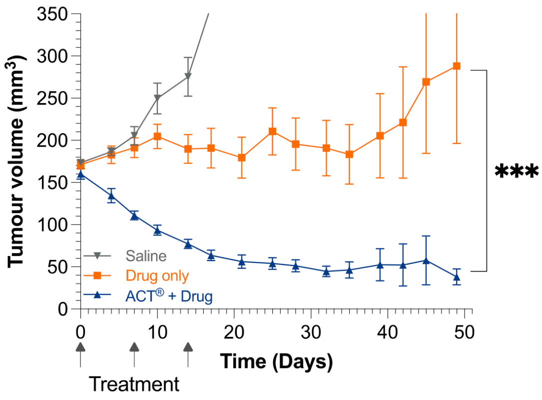
The results from both studies showed the therapeutic agent alone resulted in no progression in tumour growth during treatment but continued to rapidly grow once treatment was stopped. In contrast, combining treatment with ACT® showed dramatic and significant tumour regression after a single treatment and tumour regression continued even after treatment cessation. As a result 50 days after the first of three treatments, tumour volumes were markedly reduced (8-11x smaller) in the combined ACT® groups than with the respective drug alone, indicating a major increase in therapeutic efficacy.

ABRAXANE® - Gemcitabine



PDAC PDX s.c. mouse model treated with 20 mg/kg Abraxane® + 100 mg/kg gemcitabine i.p. ± ACT® (N=7-10).

ONIVYDE®

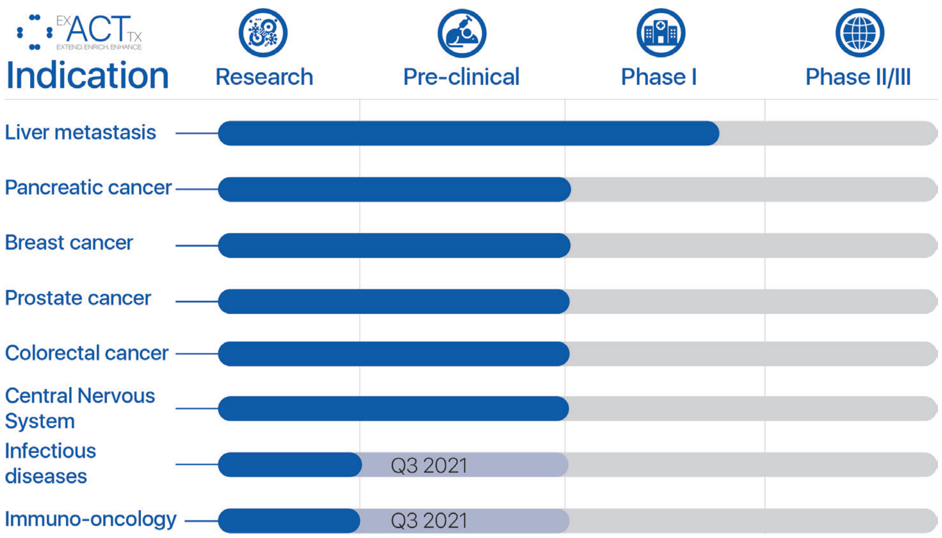


PDAC PDX s.c. mouse model treated with 20 mg/kg Onivyde™ mg/kg i.v. ± ACT® (N=7-10).

In an oncology setting, it is anticipated that application of ACT® sonoporation in combination with standard of care chemotherapy will enhance the impact of the chemotherapy on tumour regression thereby improving clinically relevant outcomes for patients.

PIPELINE OVERVIEW

Alongside the ongoing Phase I ACTIVATE study and in order to further explore the platform potential of ACT® a number of preclinical studies are planned, investigating the impact of ACT® co-administered with monoclonal antibodies/immunotherapy in an oncology setting as well as wider therapeutic areas including infectious diseases and CNS.



Alongside the therapeutic development of the platform, technology plays an important role in ACT®, specifically through the application of dual frequency ultrasound. A bespoke probe was developed in collaboration with GE Healthcare for deployment in the Phase I ACTIVATE study with further iterations planned to accommodate more indications, both within oncology and beyond.

CLINICAL TRIALS

Following completion of the preclinical studies, chemistry, manufacturing and control (CMC) and technology development, ACT® entered clinical development with a Phase I study initiated at the Royal Marsden Hospital in London in September 2019.

ACTIVATE clinical study

Sites

United Kingdom
01. Royal Marsden/ICR, London
02. Freeman Hospital, Newcastle

Norway
03. Haukeland University Hospital, Bergen
04. Radium Hospital, Oslo

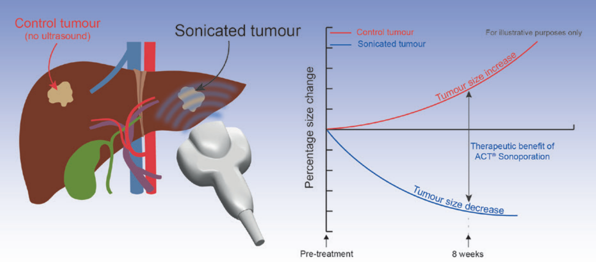
Indication

Liver metastases secondary to primary colorectal cancer and pancreatic cancer.

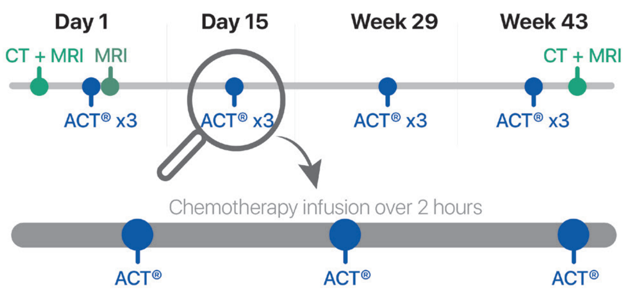
Design

Part 1: Dose Evaluation
Part 2: Anti-tumour effect

Patient with 2 or more liver metasases
- 1 lesion receives ACT during chemotherapy
- 1–4 lesions receive chemotherapy only and act as control arm



Treatment Schedule



Endpoints

Difference in size between ACT and control lesions

This first in human open label, single arm study aims to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of ACT® sonoporation in patients with liver metastases secondary to colorectal and pancreatic ductal adenocarcinoma (PDAC).

All patients in part I are treated with FOLFOX/FOLFIRI chemotherapy regimens that are co-administered with ACT®. Eligible patients have multiple liver metastases, two of which are of similar size and distinctly separate on CT scan. This enables ultrasound application (and consequent PS101 activation/enhancement) to one tumour with the other acting as control.

The first part of this study is evaluating 2 doses of PS101, 20µL/kg and 40µL/kg in a 3+3 design with the selected dose progressing to part 2 of the study. Part 2 will enrol up to 30 additional patients with centres in Bergen, Newcastle and Oslo also planned to participate.

It is anticipated that further progress will be made with the ACTIVATE study in 2021 with planning for Phase II in oncology underway.

BOARD OF DIRECTORS

BOARD CHAIR

DR MASHA STRØMME

D.Phil (Rhodes Scholar, Oxford)

Investor with 20+ years' experience in the life sciences sector including investment banking at Morgan Stanley, Altium Cap (UK) and active investor as Co-chair of family office PAACS invest. Extensive board experience within Precision Health (including therapeutics, digital health and devices). Current Nome mentor and Expert to the EIC Accelerator (European Commission).

BOARD VICE CHAIR

SIR WILLIAM CASTELL

LVO FMedSci

Former CEO of GE Healthcare and Vice Chair of the General Electric Company, CEO Amersham plc, Director BP plc and Chairman of the Wellcome Trust.

BOARD DIRECTOR

DR AITANA PEIRE

PhD (Evolutionary Genetics)

Before joining in 2019 as Investment Manager of Canica's Future of Health assets, Aitana worked as business analyst and senior consultant in Venture Valuation. Worked as Pharma equity research analyst for Kepler Cheuvreux, and as PMA consultant for Stratas Partners. PhD from the University of Groningen; CFA Level II candidate.

BOARD DIRECTOR

DR JEAN-CLAUDE PROVOST

MD (Clinical Pharmacology)

Managing Partner at Theranostics Consulting. Former Global Head of Imaging R&D at GE Healthcare Pharmaceutical Diagnostics. 25+ years' experience from Clinical Research and R&D management (including Pfizer, Bayer and Merck-Serono).

BOARD DIRECTOR

DR SUSANNE STUFFERS

PhD (Cancer Biomedicine)

Susanne Stuffers is CEO and partner of P53 Invest AS, an investment company with a sole focus on healthcare investments. Her past employments and professional experience include equity research, consultancy, medical and commercial roles with Arctic Securities, EY, Novartis and OUS Ullevål.

BOARD DIRECTOR

DR JEAN-MICHEL COSSÉRY

MBA, PhD, Pharm D

Senior Healthcare Executive - Research, Marketing and Commercial roles within Medtech and Pharmaceuticals (incl. GE Healthcare and Eli Lilly).

He is also a non-Executive with Malin Corporation plc.

BOARD DIRECTOR

HANS HENRIK KLOUMAN

Cand. Jur., LL.M (Master of Law), AMP (Harvard B.S.)

Senior Advisor Equinor CFO investments, capital allocation and active ownership. Chair of boards of E Pension, Altor Funds, Farvatn AS. Board member Storebrand life.

BOARD OBSERVER

ANN-TOVE KONGSNES

MBA

Extensive experience from investments, development, M&A, IPOs and exits of technology companies. Serves on the boards of Investinor's portfolio companies, Numascale AS, Vitux AS, Spinchip Diagnostics AS, Shelterwood AS and poLight ASA. Chair of the Nomination Committee in Novelda AS and a member of the Nomination Committee in BerGenBio ASA and Calliditas Therapeutics AB.

MANAGEMENT TEAM

CHIEF EXECUTIVE OFFICER
DR RAFIQ HASAN

A physician by training with over 25 years' experience in pharmaceuticals across a range of disciplines. Led multi-billion dollar global franchises, most recently as SVP and Global Head of Ophthalmology at Bayer.

CHIEF MEDICAL OFFICER
DR HILARY MCELWAINE-JOHNN

A highly experienced Chief Medical Officer, graduate of Imperial College and St Mary's Hospital Medical School, London, Member of the Royal College of Physicians and Faculty of Pharmaceutical Medicine. Extensive (>25 years) drug development experience including PowderMed, PsiOxus Therapeutics and Karus Therapeutics.

CHIEF TECHNOLOGY OFFICER
DR SPIROS KOTOPOULIS

Assoc. Prof at the University of Bergen (Department of Clinical Medicine) with over 36 peer reviewed publications in the field of therapeutic ultrasound including the first in man clinical trial in sonoporation. Has 10+ years' experience in the development of ultrasound mediated/ targeted drug delivery.

CHIEF OPERATING OFFICER
DR SVEIN KVÅLE

Co-founder of EXACT-Tx with over 25 years' experience from pharma R&D; Nycomed Imaging/ Amersham Health/ GE Healthcare, last ten as Sr. Scientist (GE). Inventor in 10+ patents within diagnostics and cancer therapeutics protecting five commercial products.

FOUNDER/ADVISOR

DR PER CHRISTIAN SONTUM

Co-founder of EXACT-Tx with over 25 years' experience from pharma R&D; Nycomed Imaging/ Amersham Health/ GE Healthcare, last eight as Principal Scientist/ Project Manager (GE). Inventor in 5+ patents within diagnostics and cancer therapeutics.

CHIEF FINANCIAL OFFICER

OLE FEGTH

An authorised external accountant with over 30 years of financial administration experience, including being the CFO of Verdisikring AS which he helped grow from 125 to 750 employees. Ole is also the CEO of Abaci AS, an authorised accounting company.

(CHIEF FINANCIAL OFFICER)*

STIG JARLE PETTERSEN

Mr Pettersen is a graduate of the Norwegian School of Economics & Business Administration and is a Certified Public Accountant. Previously Mr Pettersen held the position of Chief Financial Officer of Xellia Pharmaceuticals AS and Chief Financial Officer for Cermaq ASA.

* Stig Jarle Pettersen acted as interim CFO in 2020

REMUNERATION REPORT 2020

Remuneration of the Board of Directors
The remuneration of the Board of Directors is determined by the shareholders at EXACT Therapeutics AS' (the "Company") Annual General Meeting based on the proposal from the Nomination Committee.

The remuneration of the Board of Directors reflects:

- the Board of Directors' responsibility and expertise;
- the complexity of the Company and its business; and
- the time spent and the level of activity performed in the Board of Directors and any board committees in which the members of the Board participate.

The Group has implemented a share option scheme for its Board Members whereby they may elect to receive Restricted Stock Units ("RSUs") as an alternative to cash payment for serving on the Board. The Board Members can choose to have all or half of their board remuneration converted into shares. The number of RSUs allocated is calculated by dividing the board remuneration by the share price at the time of the General Meeting resolving the remuneration.

In 2020, five of the Board Members used their RSUs to subscribe for a total of 398 shares (this number reflects the number of shares prior to the 250:1 share split).

There are currently no outstanding options to the Board Members.

Further details of all elements of the remuneration and benefits of each member of the Board of Directors can be found in Note 7.1 to the financial accounts. This includes a specification of any consideration paid to members of the Board of Directors in addition to their ordinary board remuneration.

THE REMUNERATION COMMITTEE

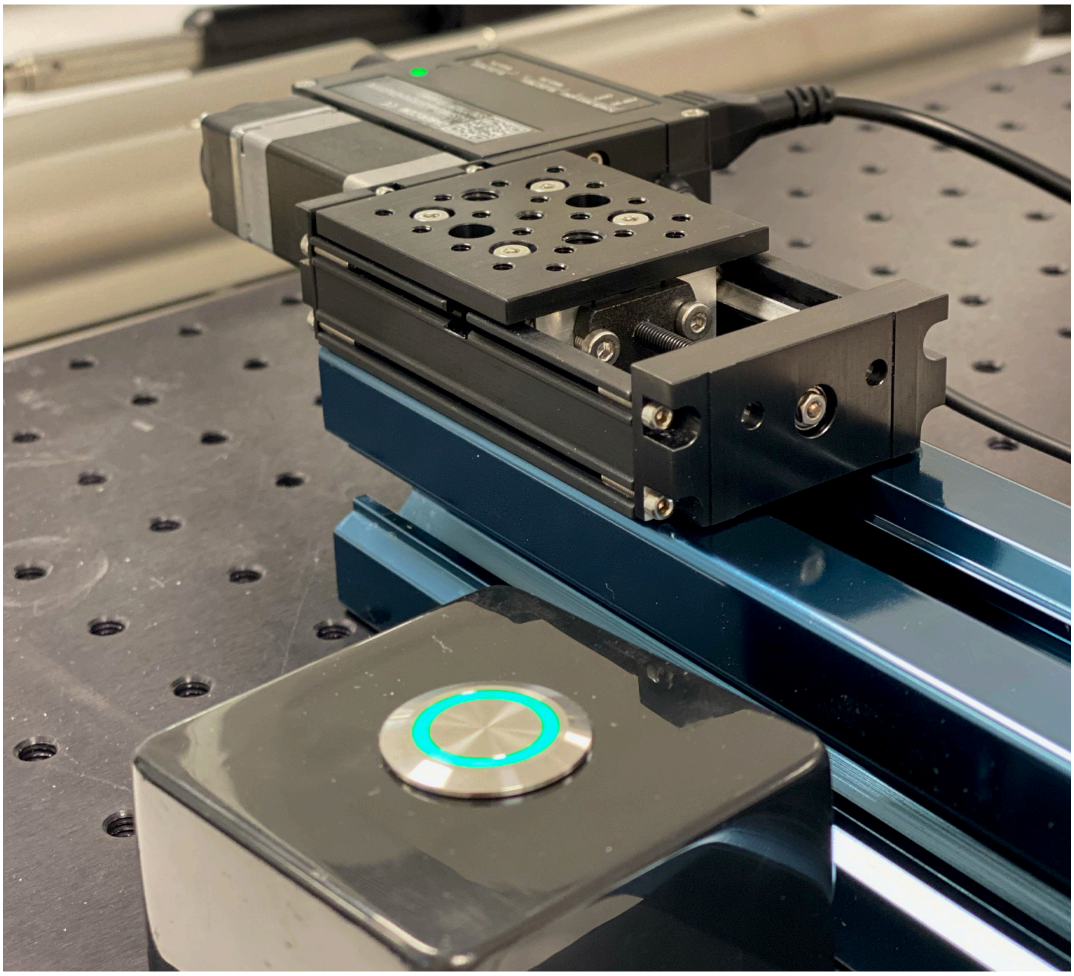
Remuneration of Executive Management

The total remuneration of the Executive Management is determined by the Board of Directors based on the advice of the Remuneration Committee and is communicated to the shareholders through the Annual Report.

Performance-related remuneration of the Executive Management is linked to value creation for shareholders or to the Company's profit over time. Such arrangements are intended to incentivise performance and are based on quantifiable factors the employee may influence, and then be rewarded accordingly. There is a cap on performance-related remuneration.

The Board of Directors appoints the Remuneration Committee which consists of members of the Board of Directors. The members in 2020 were:

- Aitana Peire, Chair
- Sir William Castell
- Masha Strømme
- Jean-Claude Provost



The Remuneration Policy

The overall objectives of the Remuneration Policy are to:

- Support the purpose and sustainability of the Company
- Align the remuneration components with the interests of shareholders and other stakeholders relevant to the above
- Support delivery of EXACT-Tx's strategic priorities
- Attract, motivate and retain members of the Executive Management Team
- Reward members of the Executive Management Team in line with corporate and individual performance

The key principles of the EXACT-Tx remuneration policy are summarised below:

- Market competitive remuneration: EXACT-Tx offers market-competitive remuneration opportunities to attract, retain, and motivate the talent needed to achieve the Company's vision, business strategy and objectives, whilst maintaining a balance between competitive levels of reward and the cost-effective use of resources.
- Pay for performance: A proportion of the remuneration package, the short-term incentive program, is performance based to link remuneration outcomes with the achievement of key financial and non-financial targets that are aligned with Company strategy. Each element of remuneration is weighted in order to ensure continuous and further positive development of the Company.
- Transparency: Remuneration programs are designed and communicated in a manner that reinforces the link between business objectives, vision and culture.
- Business alignment and consistency: Remuneration decisions are made to ensure local practices are aligned and consistent with EXACT-Tx´s principles and policies.
- Shareholder alignment: The remuneration strategy aligns the interests of all employees in driving value creation for shareholders.

Remuneration 2020

See Note 7.1 to the Group financial statements for details of remuneration for the CEO and Executive Management in 2020.

CORPORATE GOVERNANCE REPORT 2020

EXACT Therapeutics AS considers good corporate governance to be a prerequisite for value creation and trustworthiness, and for access to capital. In order to secure strong and sustainable corporate governance, it is important that EXACT-Tx ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations.

PRINCIPLES FOR CORPORATE GOVERNANCE

The Company's shares are listed on Euronext Growth Oslo, and thus not subject to the requirement to prepare an annual statement of its principles and practices for corporate governance. However, the Company endorses the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board, most recently revised on 17 October 2018 (the "Code") and therefore seeks to comply with the principles set out in the Code. As compliance with the Code is based on the "comply or explain" principle, the Company therefore also includes a corporate governance report in its Annual Report, based on the same principles.

EXACT-Tx's corporate governance policy is based on the Code, and as such, it is designed to establish a basis for good corporate governance, to support achievement of the Company's core objectives on behalf of its shareholders, including the achievement of sustainable profitability for the shareholders of EXACT-Tx. The manner in which EXACT-Tx is governed is vital to the development of its value over time.

EXACT-Tx has governance documents setting out principles for how its business should be conducted. References to more specific policies are included in this corporate governance report where relevant. The Company's governance regime is approved by the Board of Directors.

EXACT-Tx believes that good corporate governance involves openness and trustful cooperation between all stakeholders and parties involved in the Company: the shareholders, the Board of Directors and Executive Management, employees, customers, suppliers, public authorities and society in general.

CORPORATE GOVERNANCE

By pursuing the principles of corporate governance, approved by the Board of Directors of EXACT-Tx and assessed on a yearly basis, the Board of Directors and Executive Management shall contribute to achieving the following objectives:

- **OPENNESS**
  Communication with the interest groups of EXACT-Tx shall be based on openness on issues relevant for the evaluation of the development and position of the Company.
- **INDEPENDENCE**
  The relationship between the Board of Directors, the Executive Management and the shareholders shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.
- **EQUAL TREATMENT**
  One of EXACT-Tx prime objectives is equal treatment and equal rights for all of its shareholders.
- **CONTROL AND MANAGEMENT**
  Good control and corporate governance mechanisms shall contribute to achieve predictability and reduce the level of risk for owners and other interest groups.

The following sections provide a discussion of the Company's corporate governance in relation to each section of the Code.

BUSINESS

The operations of the Company and its subsidiaries are in compliance with the business objective set forth in the Company's Articles of Association, which reads as follows:

The Company's purpose is Drug Development and other services and products that naturally coincide with this, including participating in other companies with similar activities, buying and selling shares, or in other ways becoming interested in other businesses as well as buying, selling and renting of real estate.

EQUITY AND DIVIDENDS

Capital adequacy

EXACT-Tx total equity as at 31st December 2020 was NOK 159.7M, corresponding to an equity ratio of 94%. The Board of Directors consider this to be an adequate level relative to the risk and scope of operations based on the Company's internal estimate of capital requirements.

The Board of Directors continuously monitor EXACT-Tx Group's capital situation and will take adequate steps if the Company's equity or liquidity is less than adequate.

Dividend policy

EXACT-Tx is focusing on the development of novel pharmaceutical and technology products and does not anticipate paying any cash dividend until sustainable profitability is achieved. The Company has not previously distributed any dividends to its shareholders.

Authorisations to the Board of Directors

At the Company's Annual General Meetings in 2019 and 2020, the Board of Directors were granted authorisations to increase the Company's share capital by up to NOK 1,000 by the issuance of 1,000 shares on both occasions, valid for a period of 2 years. This represents a deviation from Section 3 of the Code due to the fact that the authorisations were provided prior to the Company adopting the Code. NOK 398 of the 2019 authorisation was used in connection with a share capital increase on 24 June 2020, which leaves NOK 602 of the authorisation outstanding that expires on 17 June 2021. The authorisation from the AGM in 2020 remains unused and valid with NOK 1,000 of the authorisation outstanding.

In addition, the Annual General Meeting in 2019 granted the Board of Directors additional authorisations to increase the Company's share capital by up to NOK 13,500. NOK 4,022 of these authorisations have been used for granting of share options to Executive Management, further details in section 7.1. The outstanding authorisations will expire on 17 June 2021.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Basic principles

The Company has only one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

SHARE ISSUES WITHOUT PRE-EMPTION RIGHTS FOR EXISTING SHAREHOLDERS

In the event of an increase in the share capital through issuance of new shares, a decision to deviate from existing shareholders' pre-emptive rights to subscribe for shares shall be justified. Where the Board of Directors resolves to issue shares and deviate from existing shareholders' pre-emptive rights pursuant to an authorisation granted to the Board of Directors by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance.

In 2020 the changes in share capital are summarised in the table below. The share capital increase in July 2020 was the private placement carried out in connection with the Company's listing on Euronext Growth Oslo. Due to the nature of this share capital increase and the requirement to achieve a minimum number of shareholders not associated with the Company, the share capital increase involved a deviation from the pre-emption rights for existing shareholders, which was considered to be justified.

DATE OF RESOLUTION	TYPE OF CHANGE	CHANGE IN SHARE CAPITAL	NEW SHARE CAPITAL	NOMINAL VALUE	NEW NUMBER OF TOTAL ISSUED SHARES	SUBSCRIPTION PRICE PER SHARE
15 Nov 2018	Increase	29,725	89,912	1	89,912	1,441.5/1,922 [1]
31 March 2020	Increase	1,680	91,592	1	91,592	233/1,922 [2]
10 June 2020	Increase	398	91,990	1	91,990	1/1,922 [3]
29 June 2020	Increase	27,881	119,871	1	119,871	5,201
24 July 2020	Split	N/A	119,871	0.004	29,967,750	N/A

[1] Two private placements, one aimed at external investors and one aimed at the Board of Directors/Management. The shares with the lower price were subject to restrictions.

[2] Settlement of warrants to Board members (present and former) as remuneration for earlier work.

[3] Relates to RSUs as board remuneration vesting monthly over 2019-2020 at last share price.

APPROVAL OF AGREEMENTS WITH SHAREHOLDERS AND OTHER CLOSE ASSOCIATES

In the event of transactions that are considered not to be immaterial between the Company and its shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates to any such party, the Board of Directors will arrange for an independent third-party valuation. This will, however, not necessarily apply for transactions that are subject to the approval of the Board of Directors pursuant to the provisions in the Norwegian Private Limited Liability Companies Act section 3-8.

Members of the Board of Directors and executive personnel must notify the Board of Directors when such members have any significant, direct or indirect, interest in a transaction carried out by the Company.

FREELY NEGOTIABLE SHARES

The shares of the Company are freely negotiable, and the Company's Articles of Association do not place any restrictions on the negotiability of shares.

GENERAL MEETINGS

The General Meeting is open to all shareholders, and EXACT-Tx encourages all shareholders to participate and exercise their rights in connection with the Company's General Meetings.

Notice of a General Meeting and any supporting documents, including the recommendation by the Company's Nomination Committee and other information on the resolutions to be considered, are made available on the Company's website no later than seven days prior to the date of the general meeting. In accordance with the Company's Articles of Association, documents that are to be considered by the General Meeting are not required to be sent to the shareholders if they have been made available on the Company's website. The deadline for registration is set as close to the meeting as possible, and all the necessary registration information is described in the notice.

Shareholders unable to attend may vote by proxy. Whenever possible, the Company prepares a proxy form that allows separate votes for the items that are to be considered in the General Meeting.

The agenda for the Annual General Meeting is stipulated by the Articles of Association, and the main topics to be considered include the approval of the annual accounts and the Director's report, including distribution of dividend, and remuneration of the Board of Directors and the auditor.

The Board Chair is normally the chairperson for the General Meeting, however there are circumstances in which another chairperson will be appointed.

The Board Chair and the CEO will be present at General Meetings, together with representatives of the Board. Representatives of the Nomination Committee, the Remuneration Committee and the Audit Committee, as well as the auditor, should be present at general meetings where matters of relevance for such committees/persons are on the agenda.

Minutes from the General Meetings will be published in accordance with the stock exchange regulations.

In 2020, EXACT-Tx held its Annual General Meeting on 2 June 2020. In addition extraordinary general meetings were held on 31 March, 29 June and 24 July.
Due to the pandemic meeting restriction shareholders were encouraged to exercise their shareholder rights without physical attendance at the meetings in June, and in accordance with Norwegian provisional legislation exempting companies from physical meetings requirements, the meeting on 24 July was held virtually.

NOMINATION COMMITTEE

The Nomination Committee has four members, elected pursuant to section 10 of the Company's Articles of Association. The Nomination Committee is responsible for recommending candidates for the election of members and Chair of the Board of Directors, candidates for the election of members and Chair of the Nomination Committee, and remuneration of the Board of Directors, Board subcommittees and the Nomination Committee.

The objectives, responsibilities and functions of the Committee are further described in the 'Instructions for the Nomination Committee', which were adopted by the general meeting on 2 June 2020.

The current Nomination Committee consists of:

- Dag Strømme
- Leiv Askvig
- Svein Kvåle
- Ann-Tove Kongsnes

The current membership of the committee represents a deviation from Section 7 of the Code and is due to the fact that the Company is still a small organisation and in an effort to minimise dependence on external resources, the relevant members are considered to constitute a satisfactory composition. The Company's General Meeting elects the members and the Chair of the Nomination Committee for a period of one year and determines their remuneration. The Company's guidelines for the Nomination Committee establishes rules for rotation of the members.

All members are elected with a term until the Annual General Meeting in 2021. All shareholders are entitled to nominate candidates to the Board and contact information for proposing candidates can be found on the Company's website.

BOARD COMPOSITION AND INDEPENDENCE

Pursuant to the Articles of Association section 6, the Company's Board of Directors shall consist of 5-7 directors. As at 31 December 2020, the Board of Directors consisted of 7 members, of which 3 were women including the Chair:

- Masha Strømme (Chair)
- Sir William Castell (Vice Chair)
- Hans Henrik Klouman
- Aitana Peire
- Susanne Stuffers
- Jean-Michel Cosséry
- Jean-Claude Provost
- Ann-Tove Kongsnes (Board Observer)

The composition of the Board of Directors is compliant with the independence requirements of the Norwegian Code of Practice for Corporate Governance, (the "Corporate Governance Code"), namely that (i) the majority of the shareholder-elected Board Members are independent of the Company's Executive Management and material business contacts, (ii) at least two of the shareholder-elected Board Members are independent of the Company's main shareholders (shareholders holding more than 10% of the shares in the company), and (iii) no members of the Company's Executive Management serve on the Board of Directors.

All Board Members are independent of the Company's significant business relations and large shareholders (shareholders holding more than 10% of the shares in the Company) and of Executive Management.

THE WORK OF THE BOARD OF DIRECTORS

General

The Board of Directors is responsible for the management of the Company, including the appointment of Chief Executive Officer (CEO), convening and preparing for General Meetings and supervising the daily management and the activities of the Company in general.

The Board of Directors has implemented instructions for the Board and the Executive Management, with focus on allocation of internal responsibilities and duties. The objectives, responsibilities and functions of the Board of Directors and the CEO are in compliance with rules and standards applicable to the Company and are described in the Company's 'Instructions for the Board of Directors' and 'Instructions for the CEO'.

The CEO is responsible for keeping the Board of Directors informed and provides monthly reports to the Board of Directors about the Company's activities, position and financial and operational developments. During 2020, the Board of Directors held 15 meetings.

The Board of Directors' consideration of material matters in which the Chair of the Board is, or has been, personally involved, is chaired by another member of the Board.

The Board of Directors annually evaluates its performance and expertise in the previous year. The evaluation is made available to the Nomination Committee.

Audit Committee

The Board of Directors has established an Audit Committee, which is a sub-committee of the Board of Directors. Its main duties are to assess the Company's financial reporting and systems for internal control. The Audit Committee also supports the Board in the administration and exercise of its responsibility for supervision in accordance with applicable rules and legislations. From 2021 pre-approval of non-audit services delivered by the independent auditor is required from the Audit Committee. The Company's Audit Committee is governed by a separate instruction adopted by the Board of Directors. The Auditor presented their report to the Board of Directors in April 2021.

The members of the Audit Committee are elected by and amongst the members of the Board of Directors for a term of up to two years. The current members of the Audit Committee are:

- Sir William Castell (Chair)
- Hans Henrik Klouman
- Susanne Stuffers
- Jean-Michel Cosséry

Remuneration Committee

The Board of Directors has established a Remuneration Committee as a preparatory and advisory committee for the Board of Directors in questions relating to remuneration of the Company's Executive Management.

The duties are described in the Company's 'Instructions for the Remuneration Committee'. The main duties include the responsibility to review the remuneration and benefits strategy of the members of the Executive Management; review the performance of the Executive Management against the adopted objectives and recruitment policies, career planning and management development plans; and prepare matters related to other material employment issues in respect of the Executive Management. The Remuneration Committee meets as often as deemed necessary, but normally three to four times a year.

The members of the Remuneration Committee are elected by and amongst the members of the Board of Directors for a term of up to two years and shall be independent of the Company's Executive Management. The current members of the Remuneration Committee are:

- Aitana Peire (Chair)
- Sir William Castell
- Masha Strømme
- Jean-Claude Provost

CORPORATE GOVERNANCE

Annual evaluations

The Board of Directors and the Chair undergo an annual performance evaluation for the previous year. This evaluation includes the composition of the Board of Directors and the manner in which its members function, both individually and as a group, in relation to the objectives set out for its work. The report is made available to the Nomination Committee.

Risk management and internal control

The Board of Directors of EXACT-Tx are responsible for ensuring that the Company has sound and appropriate risk management and internal control systems in accordance with the regulations that apply to its business activities.

The Company has implemented a comprehensive set of relevant corporate manuals and procedures, which provide detailed descriptions of procedures covering all aspects of managing its operations, including the development of clinical data and financial performance. The procedures and manuals are continuously revised to reflect best practice derived from experience or adopted through regulations.

The Board of Directors receives reports from Executive Management on developments and results related to strategy, finance, KPIs, risk management, clinical studies, challenges and plans for the coming periods. In addition, half-yearly and annual reports are prepared in accordance with the listing requirements and recommendations of Oslo Børs, and they are reviewed by the Audit Committee prior to the Board meeting and subsequent publication.

EXACT-Tx prepares its Group financial accounts in accordance with the international accounting standard IFRS, while the parent company Exact Therapeutics AS listed on Euronext Growth Oslo, prepares its financial accounts in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. For information on the Company's financial risk and risk management, reference is made to the Board of Directors' report and Note 4.3 to the financial accounts.

Remuneration of the Board of Directors

The remuneration of the Board of Directors is determined by the shareholders at the Annual General Meeting of the company based on the proposal from the Nomination Committee. The level of the remuneration is based on remuneration of Board members for comparable companies and reflects the Board of Directors' responsibility, expertise, the complexity of the Company, as well as time spent and the level of activity in both the Board of Directors and any Board Committees.

The Group has implemented a share option scheme for its Board Members whereby they may elect to receive Restricted Stock Units ("RSUs") as an alternative to cash payment for serving on the Board.

The option of Board members to receive remuneration in the form of RSUs represents a deviation from Section 11 of the Code and is due to the fact that RSUs are considered an appropriate method of remuneration for Board members at the current stage of its development.
The Nomination Committee recommends Restricted Stock Units (RSUs) where board members may resolve to receive the whole or parts of their remuneration in the form of RSUs or cash.

Each RSU gives a right and obligation to acquire one share at nominal value (NOK 0,004) from the Company. The number of RSUs received by each Board member is equal to the amount such member resolves to receive in the form of RSUs, divided by the market price of the shares at the time of the general meeting resolving the remuneration.

Thus, the Board of Directors have an Authorisation to increase the share capital in connection with RSUs that are valid until June 2021.

The Directors shall be allowed to elect the following compensation structure:

- 100% cash
- 50% cash/50% RSUs
- 100% RSUs

In 2020, five of the Board members used their RSUs to subscribe for a total of 398 shares.

There are currently no outstanding options to the Board Members.

Board members who participate in the Audit Committee or Remuneration Committee receive separate compensation for these additional responsibilities. Detailed information on the remuneration of the Board of Directors can be found in Note 7.1 to the financial accounts in the Annual Report for 2020.

Remuneration of Executive Personnel

The main principles for EXACT-Tx's executive remuneration policy are that management should be offered terms that are competitive when salary, benefits, bonus and pension plans are seen as a whole. The salary and remuneration of the CEO is determined by the Board of Directors in a board meeting based on the proposal from the remuneration committee.

The Company has a share option scheme for employees, which is linked to the Company's long-term performance with shareholder values and interest. Details regarding the program are available in Note 4.8 to the financial accounts in the Annual Report for 2020.

Information and Communications

The Company publishes an annual financial calendar, providing an overview of the dates for major events such as its ordinary general meeting and publication of interim reports. Interim reports are published on a bi-annual basis, in line with Oslo Børs' requirements.

The Company gives open presentations in connection with its interim reporting.

All financial and other IR information is provided in English. All information is distributed to the company's shareholders by postings on the Company's website at the same time as it is sent to Oslo Børs through its information system www.newsweb.no.

Take-overs

The Board of Directors has not yet deemed it necessary to adopt specific guidelines for takeover situations. This represents a deviation from the Code. However, the Board of Directors and the management are committed to ensuring that all shareholders are equally treated in a take-over situation and to not take any action which would hinder a take-over offer.

CORPORATE GOVERNANCE

Auditor

The Company's auditor is Ernst & Young and is regarded as independent in relation to EXACT-Tx. The Board of Directors receives an annual confirmation from the auditor that the requirements regarding independence and objectivity have been satisfied.

The auditor prepares an annual plan for carrying out the required auditing work, which is made known to the Board of Directors. The Board of Directors has an annual meeting with the auditor to discuss the annual accounts, accounting principles, assessment of any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the Company's Executive Management. At least once per year, the auditor presents to the Board of Directors a review of the Company's internal control procedures, including identification of weaknesses and proposals for improvement.

These meetings are also held as an opportunity for a review with the auditor, without the company's day to day management being present. No separate guidelines have been prepared for use of the auditor for services other than auditing but from 2021 pre-approval is required from Audit Committee.

The Board of Directors will disclose the remuneration paid to the auditor to the shareholders at the Annual General Meeting, including a break-down of the fee paid for audit work and fees paid for other specific assignments, if any. The Board of Directors has reviewed the work of the auditor and recommend to the General Meeting to retain EY as the Company's auditor.

The auditor will participate at the Annual General Meeting.

BOARD OF DIRECTORS' REPORT 2020

STRATEGY

EXACT Therapeutics AS ('the Company') and its subsidiary (together 'the Group') is a clinical stage biopharmaceutical company developing a novel platform for ultrasound mediated therapeutic amplification. This has the potential to be applied across therapeutic segments, and the Company's initial focus is in oncology where significant unmet need remains. The Acoustic Cluster Therapy (ACT®) platform has been optimised through formulation development and evaluated across a number of preclinical cancer models with impressive results. These studies demonstrated a significant benefit in terms of response rates and tumour volume reduction, providing the basis to proceed into the Phase I ACTIVATE clinical study.

The biomechanical mode of action of ACT® provides a strong foundation for the potential utility across therapeutic areas. Based on the available preclinical data, the initial focus for the Company is oncology, however further exploration of the platform potential is warranted, particularly in the treatment of infectious diseases and those of the neurological system. The ongoing Phase I ACTIVATE study continues to progress, albeit impacted by the current challenging environment. Despite these challenges, the company remains committed to:

- Achieving preliminary proof of concept for the ACT® platform in the oncology setting
- Utilising the results from the Phase I ACTIVATE study to select the optimal dose of PS101 for further clinical development in oncology.
- Generating preclinical evidence of co-administration of ACT® with large proteins in the form of monoclonal antibodies and immuno-oncology agents.
- Generating preclinical proof of concept for ACT® in the management of infectious diseases
- Further developing a bespoke dual frequency ultrasound probe for the future development of ACT® in oncology.

OPERATIONAL REVIEW

In 2020 the company maintained its clinical research focus with the Phase I ACTIVATE study. This study will provide robust evidence of the safety, tolerability, pharmacokinetics and preliminary pharmacodynamics of the ACT® platform in an oncology setting.

In addition to appointment of a new CEO, the Company also appointed a new CTO and continued corporate development activities.

The ongoing COVID-19 pandemic has adversely impacted drug development timelines across the industry. Whilst the Company's clinical trial remains active, recruitment into its Phase I ACTIVATE study has been slow during the period.

RISKS AND UNCERTAINTIES

The Group operates in a highly competitive industry sector with many large players and may be subject to rapid and substantial technological change. The long term impact of the COVID-19 pandemic remains unclear although no greater for EXACT-Tx than any other business in the sector.

EXACT-Tx is currently in a development phase involving activities that entail exposure to various risks. EXACT-Tx's lead asset/indication, ACT®, is currently in Phase I development. This is regarded as an early stage of development and the clinical studies may not prove to be successful. Timelines for completion of clinical studies are to some extent dependent on external factors outside the control of the Group, including resource capacity at clinical trial sites, competition for patients, etc.

The future financial success of EXACT-Tx and/or its commercial partners requires obtaining marketing authorisation and achieving an acceptable reimbursement price for its product/technology. There can be no guarantee that the product/technology will obtain the selling prices or reimbursement rates foreseen.

FINANCIAL RISKS

Interest rate risk

The Group holds cash and cash equivalents and does not have any borrowings. The Group's interest rate risk is therefore in the rate of return of its cash on hand. Bank deposits are exposed to market fluctuations in interest rates, which affect financial income and return on cash.

Exchange rate risk

The value of non-Norwegian currency denominated costs will be affected by changes in currency exchange rates or exchange control regulations. The Group undertakes various transactions in foreign currencies and is consequently exposed to fluctuations in exchange rates. The exposure arises largely from the clinical trials and research expenses. The Group is mainly exposed to fluctuations in pounds sterling (GBP), Euro (EUR), and US dollar (USD).

The Group is holding part of the bank deposit in GBP and EUR depending on the need for such foreign exchange.

The foreign currency exposure is also mostly linked to trade payables with short payment terms. The Group may consider changing its current risk management of foreign exchange rate if it deems it appropriate.

Credit risk

Credit risk is the risk of counterparty's default in a financial asset, liability or customer contract, giving a financial loss. The Group's receivables are generally limited to receivables from public authorities by way of government grants. The credit risk generated from financial assets in the Group is limited since it is cash deposits. The Group places its cash in bank deposits and interest funds in recognised financial institutions to limit its credit risk exposure.

The Group has not suffered any loss on receivables during 2020 and the Group considers its credit risk as low.

Liquidity risk

Liquidity is monitored on a continued basis by Group management. The Group works continuously to ensure financial flexibility in the short and long term to achieve its strategic and operational objectives. Management considers the Group's liquidity situation to be satisfactory. The Group secured equity funding of gross NOK 155 million in July 2020.

NON-FINANCIAL RISKS

Technology risk

The Group's lead product candidate, ACT®, is currently in Phase I clinical trials. This is regarded as an early stage of development and the Group's clinical studies may not prove to be successful.

Competitive technology

The Group operates in a highly competitive industry sector with many large players and is subject to rapid and substantial technological change. The long term impact of the COVID-19 crisis remains unclear although no greater for EXACT-Tx than any other business in the sector.

The Group is currently in a development phase involving activities that entail exposure to various risks. The Group's lead product candidate ACT® is currently in Phase I clinical trials. This is regarded as an early stage of development and the clinical studies may not prove to be successful. Timelines for completion of clinical studies are to some extent dependent on external factors outside the control of the Group, including resource capacity at clinical trial sites, competition for patients, etc.

Patent and IP risks

The success of the company will highly depend on the Company's ability to obtain and maintain patent protection for its products, methods, processes and other technologies, to preserve trade secrets, to prevent third parties from infringing proprietary rights of the Company and to operate without infringing the proprietary rights of third parties. To date, the Company has filed for certain exclusive patent rights in major markets including the US, EU and Japan. The core patent for ultrasound mediated drug delivery was granted in China in November 2019. The patent rights are limited in time. The Company cannot predict the range of protection any patents will afford against competitors and competing technologies, including whether third parties will find ways to invalidate the patents, obtain patents claiming aspects similar to those covered by the Company's patents and patent applications, and whether the Company may be subject to litigation proceedings.

Regulatory and Commercial risks

The future financial success of the Group requires obtaining marketing authorisation and achieving an acceptable reimbursement price for its product/technology. There can be no guarantee that the Group's product/technology will obtain the selling prices or reimbursement rates foreseen by the Group.

The Group will need approvals from the US Food and Drug Administration (FDA) to market its product/technology in the US, and from the European Medicines Agency (EMA) to market its product/technology in Europe, as well as equivalent regulatory authorities in other worldwide jurisdictions to commercialise in those regions. The Group's future earnings are likely to be largely dependent on the timely marketing authorisation of ACT® for various indications.

EXACT Therapeutics AS
18 May 2021

DocuSigned by:
Masha Stromme
00B0F4C5FC12467...
Masha Strømme
CHAIR OF BOARD

DocuSigned by:
Bill Castell
837B5D70E2704AD...
Sir William Martin Castell
VICE CHAIR OF BOARD

DocuSigned by:
Jean Claude Provost
ECBC95BD30EB454...
Jean-Claude Provost
BOARD MEMBER

DocuSigned by:
Jean-Michel Cossery
D19C696BF7DE485...
Jean-Michel Cosséry
BOARD MEMBER

DocuSigned by:
Hans Henrik Klouman
1BDA92E6F18949E...
Hans Henrik Klouman
BOARD MEMBER

DocuSigned by:
Susanne Stuffers
B071204989A84DB...
Susanne Stuffers
BOARD MEMBER

DocuSigned by:
Aitana Peire
D746A41E6179403...
Aitana Peire
BOARD MEMBER

FINANCIAL REVIEW

(Figures in brackets = same period 2019 unless stated otherwise)

INITIAL PUBLIC OFFERING

On 14 July 2020 the Company announced that its shares had been admitted to trading on Oslo Stock Exchange's Merkur Market (now Euronext Growth) under the ticker EXTX, with first day of trading 14 July 2020. The Company successfully raised NOK 155 million in gross proceeds through a private placement of 29,804 shares at a price per share of NOK 5,201. The private placement consisted of a share capital increase for a total of NOK 145 million by issuing 27,881 new shares and a secondary sale for a total amount of NOK 10 million from two of the three founders. The three founders, owning a combined 24% after the sell-down, entered into a 36-month lock-up with Carnegie and the Company.

The offering attracted strong interest from existing shareholders including Canica, Sundt, Andenaess, Investinor and P53/TDVeen who anchored the financing, and Norwegian family offices and institutions including Nordea. The offering was significantly upsized on the back of strong demand.

ACCOUNTING POLICIES

EXACT-Tx prepares its Group financial accounts in accordance with the international accounting standard IFRS, while the parent company Exact Therapeutics AS listed on Euronext Growth Oslo, prepares its financial accounts in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. For information about the transition from Norwegian GAAP to IFRS, see disclosure 8.1 in the Financial Statement. The presented figures are for the Group and the parent company, EXACT Therapeutics AS where stated as such.

FINANCIAL RESULTS

Operating revenues

No revenue for the full year 2020 (NOK 88,245 for 2019) was recorded for the Group and the parent company due to a change in accounting policy where grants are presented as a reduction in the expenses to which the grant is related.

Operating expenses

Total operating expenses for 2020 for the Group amounted to NOK 34.6 million (NOK 16 million), and NOK 34.7 million (NOK 16.1 million) for the parent company.

Employee expenses were NOK 17.5 million (NOK 5.5 million) for the group and NOK 15.1 million (NOK 5.5 million) for the parent company. Payroll expenses increased in 2020 compared to 2019 due to increased headcount as part of organisational expansion and development in preparation for the next phase of clinical trials. Short term incentive and employee share option costs increased compared to 2019 due to expansion of the Executive Management team. Share option costs of NOK 8.8 million (NOK 0 million) for the group and NOK 8.8 million (NOK 0 million) for the parent company have been charged to the profit and loss.

For the full year 2020 other operating costs for the Group amounted to NOK 16.1 million (NOK 10.2 million), and 18.9 million (10.3 million) for the parent company. The increased costs are driven by the increased activity in relation to the Phase I ACTIVATE clinical study.

The Group has recognised government grants for a total of NOK 7.3 million (NOK 7.3 million) for the full year 2020. Government grants are recognised as cost reduction in the profit and loss. Employee benefit and other operating expenses have been reduced for both the Group and the parent company by these total amounts as a result of these government grants.

The operating loss for the Group in 2020 was NOK - 33 million (NOK - 14.8 million) and NOK - 34.8 million (NOK - 16 million) for the parent company, reflecting the increased level of activity related to the clinical trials and organisational development.

Net financial gain for the Group was NOK 1.8 million (gain NOK 1.2 million) and NOK 1.6 million (NOK 1.0 million) for the parent company for the full year 2020.

Losses after tax for the Group were NOK 33.0 million (NOK 14.8 million) and NOK 33.1 million (NOK 15.0 million) for the parent company for the full year 2020.

Total comprehensive income for the Group were NOK 33.1 million (NOK 14.8 million) including a translation effect of foreign operations.

Financial position

Total assets as of 31 December 2020 for the group increased to NOK 170.2 million (NOK 52.1 million at year-end 2019) for the Group and to NOK 170.4 million (NOK 51.8 million at year-end 2019) for the parent company, due to the cash raised through the private placement executed during 2020.

Total liabilities were NOK 10.5 million (NOK 9.8 million at year-end 2019) for the Group and NOK 10.9 million (NOK 9.7 million at year-end 2019) for the parent company.

Total equity as of 31 December 2020 was NOK 159.7 million (NOK 42.2 million at year-end 2019) for the Group and NOK 159.5 million (NOK 42.1 million at year-end 2019) for the parent company, corresponding to an equity ratio of 94% (81%) for the Group and 91.5% (82.0%) for the parent company.

Cash flow

Net cash flow from operating activities was negative by NOK -26.0 million (NOK -12.5 million) for the Group and negative by NOK -25.8 million (NOK -12.5 million) for the parent company for the full year 2020, mainly driven by the level of clinical activity conducted by the Group.

Net cash flow received from investing activities during the full year 2020 was negative by NOK -1.0 million (negative NOK -23 million) for the Group and negative NOK -2.0 million (negative NOK -23 million) for the parent company. The company invested in an interest fund in 2019. In 2020, investments were related to purchasing fixed assets and sale of parts of the investment in the fund.

Net cash flow from financing activities was positive NOK 142.6 million (negative NOK -0.1 million) for the Group and positive NOK 142.6 million (negative NOK -0.1 million) for the parent company for the full year 2020, representing the proceeds from the private placement completed in the third quarter at gross NOK 155 million.

Cash and cash equivalents increased to NOK 139.2 million (NOK 23.8 million) for the Group and NOK 138.9 million (NOK 23.8 million) for the parent company.

RESEARCH AND DEVELOPMENT

While the research and development strategy is designed in-house in EXACT-Tx, the Company leverages its network of external contract research organisations (CROs) in order to execute its development strategy. EXACT-Tx also collaborates with academic institutions to extend the research in areas of interest of the Company.

The Company has employed experienced personnel that are capable of directing work that is performed by the CROs and consultants. This approach to product development allows the Company to quickly change research directions and efforts when needed and to quickly bring in new technologies and expertise when necessary.

Uncertainties related to the regulatory approval process and results from ongoing clinical trials generally indicate that the criteria for capitalisation of R&D cost are not met until market authorisation is obtained from relevant regulatory authorities. The Company has currently no development expenditure that qualifies for recognition as an asset under IAS 38.

GOING CONCERN

The Board stated that the annual accounts represent a true and fair view on the Company's financial position at the turn of the year. According to the Norwegian Accounting Act section 3-3 (a), the Board of Directors confirmed that the financial statements have been prepared under the assumption of going concern.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

EXACT-Tx believes that ESG is an important foundation and indicator of long-term success. ESG relates directly to the Company's stakeholders which include patients and their families, our employees, investors, regulators, suppliers and other business partners, such as research organisations and academic institutions. Following a stakeholder evaluation, the topics of greatest strategic importance were identified as clinical trial conduct, employee engagement and wellbeing and business ethics.

The CEO has the overall responsibility for ESG with strong and continued oversight from the Board of Directors.

CORPORATE GOVERNANCE

BOARD GOVERNANCE

For EXACT-Tx it is important that the Board reflects the diversity of the Company's stakeholders. This enables the Board to assist the Company in making robust strategic decisions, in addition to controlling risks and ensuring legal compliance.

In addition, this enables us to be well-positioned to deliver long-term value for shareholders and stakeholders. Our Board consists of seven non- executive members of which three are women. All of the members are independent. The members of the Board reflect different nationalities and a breadth of competences including health, industry, medicine, research and finance.

Further information is provided on p. 31 in the section 'Board Composition and Independence', which can be found in the Corporate Governance report.

CLINICAL TRIAL CONDUCT

Clinical trials are essential to evaluate the safety, efficacy and effectiveness of therapeutic interventions and must be conducted according to the high standards required by regulatory authorities. As part of this process, drug safety is a key consideration throughout the drug development lifecycle. As a consequence, prior to initiating a clinical trial, the relevant data from pre-clinical studies is evaluated and discussed with experts and regulators. The primary consideration of clinical studies is to ensure the safety and effectiveness of the ACT® platform technology, whilst adverse effects are documented and reported to regulatory authorities on a periodic basis. A further consideration in relation to clinical trial conduct is the protection of personal information of participating patients and no claims of any breaches were received in 2020. Further information is provided in the Strategic Report section earlier in the report.

EMPLOYEE ENGAGEMENT AND WELLBEING

EXACT-Tx's employees are at the core of the Company's strategy and future. As a consequence, the Company aims to create a culture that appeals to high calibre employees with diverse backgrounds and experience. Furthermore, the opportunity for employees to grow and develop their skills and competences is important in retaining and developing talented leaders.

This culture and environment is reflected in both the hiring process, with a strong focus on diversity in the broadest sense (gender, skillset, background, culture) as well as career development. The latter is delivered through regular performance appraisals and feedback, providing the opportunity to reflect on performance and opportunities for further development.

This is complemented by a long term incentive program based on the granting of stock options to ensure alignment of employee and Company goals.

Employee wellbeing is of paramount importance with impact on both productivity and motivation. This has been particularly evident during the COVID-19 global pandemic where the organisation demonstrated agility in ensuring appropriate arrangements were in place to enable working from home, whilst maintaining focus on wellbeing.

EXACT-Tx provides competitive remuneration to all employees reflecting their level of experience, qualification and expertise. In addition, all employees can take advantage of a flexible hours policy.

EXACT-Tx had four permanent employees and one contract member of staff at the end of 2020. EXACT-Tx is committed to a goal of zero harm to its employees. There were zero work related accidents in 2020.

As EXACT-Tx now has more than five permanent employees, procedures for handling whistleblowing cases are being developed in order to ensure that all allegations are investigated.

BUSINESS ETHICS

Through its Corporate Governance policy and Personnel Handbook, the Company has established and communicated its ethical guidelines for business conduct. These are important as they ensure that all stakeholders have confidence in the Company's commitment to operate in accordance with responsible, ethical and sound corporate and business principles. Material breaches of the ethical guidelines may result in termination of employment.

The Group has adopted a zero tolerance stance towards corruption, money laundering and insider trading. All employees are encouraged to report any breaches of Group regulations as outlined in the Personnel Handbook, whilst no incidents were reported in 2020.

CORPORATE GOVERNANCE

DIVERSITY AND INCLUSION

A diverse and inclusive work environment is an important ingredient of success for the Company. This is achieved through the creation of a collaborative culture and environment that promotes open, constructive and transparent feedback as well as the healthy exchange of ideas. EXACT-Tx is committed to being an equal opportunity employer and to fair treatment for each employee. Discrimination of any form on the basis of gender, age, race, ethnic background, sexual orientation, among other diversity metrics is strictly forbidden.

EXACT-Tx is also committed to diversity in the conduct of its operational activities, particularly clinical trials where the patients enrolled should be representative of the intended patient population.

SHARE INFORMATION

As of 31 December 2020, there were 29,967,750 ordinary shares outstanding, up from 89,912 shares at year end 2019, following the private placement in July 2020 and a subsequent 250:1 share split.

The company has one class of shares and all shares carry equal voting rights.

The company had approximately 250 shareholders at 31 December 2020.

OUTLOOK

EXACT-Tx's ACT® technology platform, currently in Phase I clinical development, and financial position, together provide a strong foundation to create and deliver significant value for shareholders.

The Board considers that the anticipated results from the ongoing Phase I ACTIVATE study as well as additional preclinical data will provide a strong foundation to progress with ACT® into Phase II clinical development in oncology. The data generated from these studies will demonstrate a preliminary proof of concept for the therapeutic amplification mechanism of action for ACT®.

We continue to strengthen our organisation with skilled and experienced new appointments to support our strategies, and we remain well-funded to advance our pipeline.

As more clinical and preclinical data is generated to confirm the platform potential of ACT®, the potential opportunities for partnering are anticipated to increase. Furthermore, there is also the potential for commercialisation in specific geographies leading to greater value for shareholders.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31st December

Amounts in NOK	Notes	2020	2019
Government grants and other income	2.2	-	88 245
Total other income		**-**	**88 245**
Employee benefit expenses	2.3	**17 558 351**	5 454 214
Other operating expenses	2.4	**16 062 046**	10 215 267
Depreciation and amortisation	3.1, 3.2	**1 078 264**	402 071
Operating profit or loss		**-34 698 661**	**-15 983 307**
Finance income	4.9	**1 773 356**	1 240 365
Finance costs	4.9	**160 163**	81 929
Profit or loss before tax		**-33 085 468**	**-14 824 872**
Income tax expense	5.1		-
Profit or loss for the year		**-33 085 468**	**-14 824 872**
Allocation of profit or loss:			
Profit/loss attributable to the parent		**-33 085 468**	-14 824 872
Other comprehensive income:			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-71 843	–
Total items that may be reclassified to profit or loss		-71 843	–
Total other comprehensive income for the year		**-71 843**	**–**
Total comprehensive income for the year		**-33 157 311**	**-14 824 872**
Allocation of total comprehensive income			
Total comprehensive income attributable to owners of the parent		-33 157 311	-14 824 872
Earnings per share ("EPS"):			
Basic EPS - profit or loss attributable to equity holders of the parent	4.9	-2	-198
Diluted EPS - profit or loss attributable to equity holders of the parent	4.9	-2	-198

EXACT THERAPEUTICS GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in NOK	Notes	31.12.2020	31.12.2019	01.01.2019
ASSETS				
Non-current assets				
Property, plant and equipment	3.1	4 504 997	1 287 070	171 974
Right-of-use assets	3.2	13 100	170 324	-
Total non-current assets		**4 518 097**	**1 457 394**	**171 974**
Current assets				
Other receivables	2.5	5 991 416	5 091 542	3 855 735
Other current financial assets	4.1	20 498 927	21 799 717	-
Cash and cash equivalents	4.7	139 224 380	23 754 682	59 204 752
Total current assets		**165 714 723**	**50 645 941**	**63 060 487**
TOTAL ASSETS		**170 232 820**	**52 103 335**	**63 232 461**
EQUITY AND LIABILITIES				
Equity				
Share capital	4.6	119 871	89 912	60 187
Share premium		215 137 483	72 440 981	72 440 981
Other paid-up equity		7 848 423	-	-
Uncovered loss		-63 451 974	-30 294 663	-15 440 066
Total equity		**159 653 803**	**42 236 230**	**57 061 102**
Non-current liabilities				
Non-current lease liabilities	3.2	-	37 894	-
Non-current provisions	2.7		-	-
Total non-current liabilities		**-**	**37 894**	**-**
Current liabilities				
Current lease liabilities	3.2	37 894	146 173	-
Trade and other payables	2.6	9 434 496	9 683 038	6 171 359
Current provisions	2.7	1 106 627	-	-
Total current liabilities		**10 579 017**	**9 829 211**	**6 171 359**
Total liabilities		**10 579 017**	**9 867 104**	**6 171 359**
TOTAL EQUITY AND LIABILITIES		**170 232 820**	**52 103 335**	**63 232 461**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31st December

Cash flows from operating activities (NOK)	Notes	2020	2019
Profit or loss before tax		**-33 085 468**	**-14 824 872**
Adjustments to reconcile profit before tax to net cash flows:			
Net financial income/expense	4.7	-1 613 193	-160 695
Depreciation and impairment of property, plant and equipment	3.1	745 423	284 155
Amortisation and impairment of Right-of-use assets	3.2	157 224	117 916
Share-based payment expense	4.8	7 848 423	-
Working capital adjustments:			
Changes in other receivables	2.5	-899 874	-1 235 807
Changes in trade and other payables	2.6	-248 542	3 511 679
Changes in provisions and other liabilities	2.7	1 106 627	-157 013
Net cash flows from operating activities		**-25 989 380**	**-12 464 636**

Cash flows from investing activities (NOK)			
Purchase of property, plant and equipment	3.1	-3 963 350	-1 399 251
Purchase of financial instruments	4.1	-	-21 628 962
Payments for established subsidiary	6.1	-117 096	
Proceeds from sale of financial instruments	4.2	2 000 000	-
Interest received	4.9	982 478	-
Net cash flow from investing activities		**-980 872**	**-23 028 213**

Cash flow from financing activities (NOK)			
Proceeds from issuance of equity	4.5	146 517 152	-
Transaction costs on issue of shares	4.5	-3 790 691	-
Payments for the principal portion of the lease liability	3.2	-152 312	-104 174
Payments for the interest portion of the lease liability	3.2	-6 139	-10 060
Interest paid	4.9	-1 280	-
Net cash flows from financing activities		**142 566 730**	**-114 234**

Net increase/(decrease) in cash and cash equivalents		**115 596 478**	**-35 607 083**
Cash and cash equivalents at beginning of the year/period	4.7	23 754 682	59 204 752
Net foreign exchange difference		-126 780	157 013
Cash and cash equivalents, end of year		**139 224 380**	**23 754 682**

EXACT THERAPEUTICS GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK	Share capital	Share premium	Other paid- up equity	Other equity Foreign currency translation reserve	Other equity Retained earnings	Total equity
Balance at 1 January 2019	**60 187**	**72 440 981**	**-**		**-15 440 066**	**57 061 102**
Profit (loss) for the year					-14 824 872-	-14 824 872
Other comprehensive income					157 013	-
Issue of share capital (Note 4.5)	29 725				-29 725	-
Share based payments (Note 4.8)						-
Balance at 31 December 2019	89 912	**72 440 981**	**-**	**-**	**-30 294 663**	**42 236 230**
Profit (loss) for the year					-33 085 468	-33 085 468
Other comprehensive income				-71 843	-	-71 843
Issue of share capital (Note 4.5)	29 959	146 487 193				146 517 152
Transaction costs		-3 790 691				-3 790 691
Share based payments (Note 4.8)			7 848 423			7 848 423
Balance at 31 December 2020	**119 871**	**215 137 483**	**7 848 423**	**-71 843**	**-63 380 131**	**159 653 803**

EXACT Therapeutics AS
18 May 2021

DocuSigned by:
Masha Strømme
00B0F4C5FC12467...
Masha Strømme
CHAIR OF BOARD

DocuSigned by:
Bill Castell
837B5D70E2704AD...
Sir William Martin Castell
VICE CHAIR OF BOARD

DocuSigned by:
Jean Claude Provost
ECBC95BD30EB454...
Jean-Claude Provost
BOARD MEMBER

DocuSigned by:
Jean-Michel Cossery
D19C696BF7DE485...
Jean-Michel Cosséry
BOARD MEMBER

DocuSigned by:
Hans Henrik Klouman
1BDA92E6F18949E...
Hans Henrik Klouman
BOARD MEMBER

DocuSigned by:
Susanne Stuffers
B071204989A84DB...
Susanne Stuffers
BOARD MEMBER

DocuSigned by:
Aitana Peire
D746A41E6179403...
Aitana Peire
BOARD MEMBER

DocuSigned by:
Rafiq Hasan
CF8FEA96F4A544D...
Rafiq Hasan
CEO

1.1 GENERAL INFORMATION NOTES

CORPORATE INFORMATION

The consolidated financial statements of EXACT Therapeutics AS and its subsidiaries (collectively, “the Group” or “EXACT Therapeutics”) for the year ended 31 December 2020 were authorised for issue in accordance with a Board resolution on 18 May 2021. EXACT Therapeutics AS is a publicly listed company on the Euronext Growth, with the ticker symbol EXTX. EXACT Therapeutics AS is incorporated and domiciled in Norway, and the address of its registered office is Østre Aker vei 19, 0581 Oslo, Norway.

EXACT Therapeutics is a clinical stage Norwegian biopharmaceutical company developing a technology platform for targeted therapeutic enhancement – Acoustic Cluster Therapy (ACT®). ACT® sonoporation is a unique approach to ultrasound-mediated, targeted drug enhancement – with the potential to significantly amplify the clinical utility of a wide range of therapeutic agents across a multitude of indications including within oncology (chemotherapy, immunotherapy), infectious diseases, and neurological conditions.

1.2 BASIS OF PREPARATION

The consolidated financial statements of the Group comprise consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by The European Union (“EU”), and represents the first financial statements of the Group in accordance with IFRS. See section 8.1 for information related to first time adoption.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. Further, the financial statements are prepared based on the going concern assumption.

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

Presentation currency and functional currency

The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the functional currency of the parent company. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by applying monthly average exchange rates. If currency rates are fluctuating significantly, transaction date exchange rates are applied for significant transactions.

1.3 SIGNIFICANT ACCOUNTING POLICIES

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

Current versus 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

Capitalisation of internal development costs

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

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

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

1.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Estimates and assumptions:

- Share based payments (note 4.8)
- Measurement of deferred tax assets (note 5.1)

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

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

Accounting judgements:

- Determining whether deferred tax assets should be recognised (note 5.1)

A detailed description of the significant accounting judgements are included in the individual note where applicable.

2.1 OPERATING SEGMENTS

ACCOUNTING POLICIES

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses,

b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

c) for which discrete financial information is available.

The chief operating decision maker is the Executive Management group which monitors the operating results of its business unit for the purpose of making decisions about resource allocation and performance assessment.

The Group is organised as one operating segment: Research and development of ACT®.

The Group is still in the research and development phase and does not have revenue from contracts with customers.

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

Non-current assets	**31.12.2020**	**31.12.2019**	**01.01.2019**
Norway	3 741 936	1 457 394	171 974
United Kingdom	776 161	-	-
Total non-current assets	**4 518 097**	**1 457 394**	**171 974**

Non-current assets for this purpose consist of property, plant and equipment and right-of-use assets.

2.2 GOVERNMENT GRANTS AND OTHER INCOME

ACCOUNTING POLICIES

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

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

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

Government grants and other income	2020	2019
Grant from the Research Council of Norway	-	-
Grant from SkatteFUNN	-	-
Other income	-	88 245
Total government grants and other income	**-**	**88 245**

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

Total government grants recognised	Line item in consolidated statement of comprehensive income	2020	2019
Grant from the Research Council of Norway	Employee benefit expenses/ Other operating expenses	3 484 000	4 000 000
Grant from SkatteFUNN	Employee benefit expenses/ Other operating expenses	3 780 120	3 339 703
Total government grants recognised		**7 264 120**	**7 339 703**

Government grants receivable	31.12.2020	31.12.2019	01.01.2019
Grant from the Research Council of Norway	1 161 334	1 333 334	1 503 569
Grant from SkatteFUNN	3 780 120	3 339 703	2 068 950
Total government grants receivable	**4 941 454**	**4 673 037**	**3 572 519**

Government grant receivables are included as other receivables in the consolidated statement of financial position and included in the specification in note 2.5.

Grant from Norsk Forskningsråd (The Research Council of Norway) is for a research project relating to the development of Acoustic Cluster Therapy for pancreatic cancer.

Three grants have been posted to the profit and loss for research projects via the SkatteFUNN scheme. The amounts have been posted in full as a reduction in expensed costs related to the projects.

The SkatteFUNN grant ‘A technology Platform for Localized Delivery of Medicinal Drugs’ started in 2017 and ended in 2020. The SkatteFUNN grant ‘Clinical Development of Acoustic Cluster Therapy within Oncology’ started in 2020 and will end in 2023. The SkatteFUNN project period for ‘Ultrasound Transducer for Acoustic Cluster Therapy’ is from 2020 to 2022.

The projects receiving grants have not generated income as of date as the projects still are in an early stage.

2.3 EMPLOYEE BENEFIT EXPENSES

ACCOUNTING POLICIES

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

Pensions
The Group has a defined contribution pension plan for its employees in Norway and UK. The Norwegian scheme satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

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

Employee benefit expenses	**2020**	**2019**
Salaries	7 800 787	6 077 120
Social security costs	1 412 710	907 419
Pension costs	412 152	256 305
Other employe expenses (mainly Share option expenses)	7 932 702	-1 786 630
Total employee benefit expenses	**17 558 351**	**5 454 214**

Average number of full time employees (FTEs): 4

At the end of the reporting period, members of the Board and Executive Management held shares, share options and Restricted Stock Units in EXACT Therapeutics AS. For information on remuneration to Management and the Board of Directors, including also disclosures on shares, share options and Restricted Stock Units held, see note 7.1.

2.4 OPERATING EXPENSES

ACCOUNTING POLICIES

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

Other operating expenses	**2020**	**2019**
Audit and accounting fees	514 113	144 171
Consulting fees	4 034 838	1 120 743
Legal expenses	1 076 014	28 475
Travel expenses	225 577	768 735
Lease expenses	488 805	162 013
Research expenses	13 314 205	14 539 320
Grants deducted	-7 264 120	-7 339 703
Other operating expenses	3 672 614	791 513
Total other operating expenses	**16 062 046**	**10 215 267**

Total research expenses for 2020 were NOK 13 314 205, recognised as employee benefit expenses and other operating expenses in the consolidated statement of comprehensive income. For 2019 the total research expenses were NOK 14 539 320

Auditor fees	**2020**	**2019**
Audit fee	218 764	45 575
Other services	318 161	-
Total remuneration to the auditor	**536 925**	**45 575**

Audit fee:
The amounts above are excluding VAT.

2.5 OTHER RECEIVABLES

ACCOUNTING POLICIES

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

Other receivables consist mainly of VAT receivables and government grant receivables which are expected to be realised in the normal operating cycle within twelve months after the reporting period.

Expected credit losses
The Group recognises an allowance for expected credit losses (ECLs) for its financial assets. ECLs are based on the cash flows that the Group expects to receive. For trade receivables, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group bases the allowance of its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Policies for expected credit losses are further described in note 4.1.

Other receivables	**31.12.2020**	**31.12.2019**	**01.01.2019**
VAT receivable	766 240	384 630	211 785
Government grants	4 941 454	4 673 037	3 572 519
Other	283 722	33 875	71 431
Total other receivables	**5 991 416**	**5 091 542**	**3 855 735**

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

The credit risk of financial assets has not increased significantly from initial recognition. The loss allowance is insignificant. For details regarding the Group's procedures on managing credit risk, reference is made to note 4.3.

2.6 TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

Trade and other payables are liabilities, i.e. present contractual obligations arising from a result of past events where settlement is expected to result in an outflow of resources (payment). Trade payables consist of invoices for goods and services where the Group has received the significant risks and rewards of ownership as of 31.12. Other payables mainly consist of withholding payroll and social security tax. Other accrued expenses are payroll related accruals and other accruals.

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

Trade and other payables	**31.12.2020**	**31.12.2019**	**01.01.2019**
Trade payables	1 807 041	3 340 871	7 166
Withholding payroll taxes and social security	488 683	851 556	832 055
Other accrued expenses *	7 138 772	5 490 611	5 332 138
Total trade and other payables	**9 434 496**	**9 683 038**	**6 171 359**

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

* Other accrued expenses include payroll accruals related to the period 2013-2015 for work performed by the Founders of the Company. Accrued debt to Per Sontum is NOK 1.410.000 (2019: NOK 1.410.000), Svein Kvåle is NOK 1.326.000 (2019: 1.326.000) and Andrew Healey NOK 688.000 (2019: 1.032.000).

2.7 PROVISIONS

ACCOUNTING POLICIES

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

The group classifies provisions in the following categories:

- Salary related costs: Contains a provision for accrued bonuses, restructuring and other salary related accruals.
- Social security for share based payments: Contains a provision for the accrued social security on share options and Restricted Stock Units which will be paid when the options are exercised/fully vested.

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

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

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

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

Reconciliation of provisions:

	Salary related costs	Social security for share based payments	Other short term provisions	Total
At 1 January 2019	**-**	**-**	**-**	**-**
Additional provisions made	-	-		-
Amounts used	-	-		-
Unused amounts reversed	-	-		-
Unwinding of discount and change in discount rate	-	-		-
At 31 December 2019	**-**	**-**	**-**	**-**
Current provisions	**-**			**-**
Non-current provisions	**-**			**-**

	Salary related costs	Social security for share based payments	Other short term provisions	Total
At 1 January 2020	**0**	**0**	**0**	**-**
Additional provisions made	0	1 106 627	0	1 106 627
Amounts used	0	0	0	-
Unused amounts reversed	0	0	0	-
Unwinding of discount and change in discount rate	0	0	0	-
At 31 December 2020	**0**	**1 106 627**	**0**	**1 106 627**
Current provisions	**1 106 627**			**1 106 627**
Non-current provisions	**0**			**0**

3.1 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Repair and maintenance costs are recognised in profit or loss as incurred.

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

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

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

	Fixtures, fittings and tools	Total
Cost as at 1 January 2019	**1 032 325**	**1 032 325**
Additions	1 399 251	1 399 251
Cost as at 31 December 2019	**2 431 576**	**2 431 576**
Additions	3 963 350	3 963 350
Cost as at 31 December 2020	**6 394 926**	**6 394 926**
Depreciation and impairment as at 1 January 2019	**860 351**	**860 351**
Depreciation for the year	284 155	284 155
Depreciation and impairment as at 31 December 2019	**1 144 506**	**1 144 506**
Depreciation for the year	745 423	745 423
Depreciation and impairment as at 31 December 2020	**1 889 929**	**1 889 929**
Net book value:		
At 1 January 2019	**171 974**	**171 974**
At 31 December 2019	**1 287 070**	**1 287 070**
At 31 December 2020	**4 504 997**	**4 504 997**

Economic life (years)	3-5
Depreciation plan	Straight-line method

3.2 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

ACCOUNTING POLICIES

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

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

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

- Short-term leases (defined as 12 months or less)
- Low value assets (with an underlying value of less than 50 000 NOK)

For these leases, the Group recognises the lease payments as operating expenses in the consolidated statement of comprehensive income.

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

The lease payments included in the measurement comprise:

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

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

The Group presents its lease liabilities as separate line items in the consolidated statement of financial position.

Measuring the right-of-use asset

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

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

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

The Group's leased assets
The Group leases several assets, mainly an office building and a laboratory in Norway, and a smaller office in the UK. Leases of office buildings generally have lease terms between two and three years. The Group also leases some office buildings and equipment that are expensed as incurred as they are either considered short term or of low value.

The Group's right-of-use assets recognised in the consolidated statement of financial position are presented in the table below:

Right-of-use assets

	Office Buildings	Total
Acquisition cost at 1 January 2019		-
Additions of right-of-use assets	288 240	288 240
Acquisition cost at 31 December 2019	288 240	288 240
Additions of right-of-use assets		-
Currency translation effects	-	-
Acquisition cost at 31 December 2020	288 240	288 240

RIGHT-OF-USE ASSETS

	Office Buildings	Total
Depreciation and impairment at 1 January 2019	**-**	**-**
Depreciation of right-of-use assets	117 916	117 916
Depreciation and impairment at 31 December 2019	**117 916**	**117 916**
Depreciation of right-of-use assets	157 224	157 224
Currency translation effects	-	-
Depreciation and impairment at 31 December 2020	**275 140**	**275 140**
Carrying amount at 1 January 2019	**-**	**-**
Carrying amount at 31 December 2019	**170 324**	**170 324**
Carrying amount at 31 December 2020	**13 100**	**13 100**
Remaining lease term or remaining useful life	1	
Depreciation plan	Straight-line method	

Expenses in the period related to practical expedients and variable payments	2020	2019
Short-term lease expenses	28 990	162 013
Low-value assets lease expenses	-	-
Variable lease expenses in the period (not included in the lease liabilities)	-	-
Total lease expenses in the period	**28 990**	**162 013**

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

THE GROUP'S LEASE LIABILITIES

Undiscounted lease liabilities and maturity of cash outflows	31.12.2020	31.12.2019	01.01.2019
Less than one year	38 078	152 312	
One to two years		38 078	
Two to three years			
Three to four years			
More than four years			
Total undiscounted lease liabilities	**38 078**	**190 390**	**-**

Changes in the lease liabilities - 2019	Total
At first time adoption of IFRS 1 January 2019	-
New leases	**288 240**
Cash payments for the principal portion of the lease liability	-104 174
Cash payments for the interest portion of the lease liability	-10 060
Interest expense on lease liabilities	10 060
Total lease liabilities at 31 December 2019	**184 066**
Current lease liabilities in the statement of financial position	**146 173**
Non-current lease liabilities in the statement of financial position	**37 894**

Changes in the lease liabilities - 2019	Total
At 1 January 2020	**184 066**
New leases recognised during the period	**-**
Cash payments for the principal portion of the lease liability	**-152 312**
Cash payments for the interest portion of the lease liability	**6 140**
Interest expense on lease liabilities	**-**
Currency translation effects	
Total lease liabilities at 31 December 2020	**37 894**
Current lease liabilities in the statement of financial position	**37 894**
Non-current lease liabilities in the statement of financial position	

Lease commitments not included in the lease liabilities

Inflation adjustments
In addition to the lease liabilities presented above, the Group is committed to pay variable lease payments for its office buildings, mainly related to future inflation adjustments which is not included in the initial calculation of lease liabilities. The lease liability and right-of-use asset will be adjusted to reflect the inflation adjustment when the uncertainty related to the adjustment has been resolved, however, due to low inflation forecasts these adjustments are expected to be immaterial.

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

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

Other matters
The Group's leases does not contain provisions or restrictions that impacts that Group's dividend policies or financing possibilities. Further, the Group does not have significant residual value guarantees related to its leases.

4.1 FINANCIAL INSTRUMENTS

ACCOUNTING POLICIES

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

Classification of financial instruments
The Group's financial instruments are grouped in the following categories:

Financial Assets
- Financial assets measured subsequently at amortised cost: Includes mainly other receivables and cash and cash equivalents
- Financial assets measured subsequently at fair value through profit or loss : Includes other current financial assets

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

Financial Liabilities

- Financial liabilities measured subsequently at amortised cost: Represent the Group's non-interest bearing liabilities such as trade payables.

The Group do not have derivative financial instruments measured at fair value. All financial assets and liabilities are measured subsequently at amortised cost, with the exception of other current financial assets measured at fair value.

Initial recognition and subsequent measurement

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

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

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

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

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

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

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

31.12.2020	**Notes**	**Financial instruments at amortised cost**	**Financial instruments at fair value through profit or loss**	**Total**
Assets				
Other receivables	2.5	5 991 416		5 991 416
Other current financial assets*			20 498 927	20 498 927
Cash and cash equivalents	4.7	139 224 380		139 224 380
Total financial assets		**145 215 796**	**20 498 927**	**165 714 723**
Liabilities				
Trade and other payables	2.6	9 434 496		9 434 496
Total financial liabilities		**9 434 496**	**-**	**9 434 496**

31.12.2019	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other receivables	2.5	5 091 542		5 091 542
Other current financial assets*			21 799 717	21 799 717
Cash and cash equivalents	4.7	23 754 682		23 754 682
Total financial assets		**28 846 224**	**21 799 717**	**50 645 941**
Liabilities				
Trade and other payables	2.6	9 683 038		9 683 038
Total financial liabilities		**9 683 038**	**-**	**9 683 038**

01.01.2019	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	
Assets				
Other receivables	2.5	3 855 735		3 855 735
Other current financial assets*			-	-
Cash and cash equivalents	4.7	59 204 752		59 204 752
Total financial assets		**63 060 487**	**-**	**63 060 487**
Liabilities				
Trade and other payables	2.6	6 171 359		6 171 359
Total financial liabilities		**6 171 359**	**-**	**6 171 359**

* Other current financial assets consist of bond funds shares, managed by DNB. The purpose of the investment is to generate returns on cash exceeding the interest rate on bank deposits.

There are no changes in classification and measurement for the Group's financial assets and liabilities.

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

4.2 AGEING OF FINANCIAL LIABILITIES

Contractual undiscounted cash flows from financial liabilities is presented below:

	Remaining contractual maturity						
31.12.2020	**1-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Financial liabilities							
Trade and other payables	6 645 496					2 736 000	9 381 496
Non-current lease liabilities	-						-
Current lease liabilities	37 894						37 894
Total financial liabilities	**6 683 390**	**-**	**-**	**-**	**-**	**2 736 000**	**9 419 390**

	Remaining contractual maturity						
31.12.2019	**1-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Financial liabilities							
Trade and other payables	6 947 038					2 736 000	9 683 038
Non-current lease liabilities							-
Current lease liabilities	152 312	38 078					190 390
Total financial liabilities	**7 099 350**	**38 078**	**-**	**-**	**-**	**2 736 000**	**9 873 428**

	Remaining contractual maturity						
01.01.2019	**1-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Financial liabilities							
Trade and other payables	3 435 359					2 736 000	6 171 359
Non-current lease liabilities							-
Current lease liabilities							-
Total financial liabilities	**3 435 359**	**-**	**-**	**-**	**-**	**2 736 000**	**6 171 359**

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

			Non-cash changes			
2020	**01.01.2020**	**Cash flow effect**	**New leases**	**Foreign exchange movement**	**Other changes**	**31.12.2020**
Non-current lease liabilities	37 893	-37 893				**-**
Current lease liabilities	146 173	-108 279				**37 894**
Total liabilities from financing	**184 066**	**-146 172**	**-**	**-**	**-**	**37 894**

			Non-cash changes		
2019	**01.01.2019**	**Cash flow effect**	**New leases**	**Other changes**	**31.12.2019**
Non-current lease liabilities	-	-152 312	184 066	6 139	**37 893**
Current lease liabilities	-	38 078	104 174	3 921	**146 173**
Total liabilities from financing	**-**	**-114 234**	**288 240**	**10 060**	**184 066**

4.3 FINANCIAL RISK MANAGEMENT

OVERVIEW

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

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

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

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

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has a limited exposure to the risk of changes in market interest rates as it currently has no interest bearing debt. The fair value of other current financial assets is dependent on market interest rates, however, the risk exposure is low as the assets consist of investment grade bonds and fixed rate bank deposits, the current interest rate environment is very low. The Group does not hedge interest risk exposure with the use of financial instruments at the current time, but may enter into contracts to offset some of the risk depending on the future expected interest rates.

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

Interest rate sensitivity	Increase / decrease in basis point	Effect on profit before tax	Effect on equity
31 December 2020	+/- 50	798 617	798 617
31 December 2019	+/- 50	227 772	227 772
1 January 2019	+/- 50	296 024	296 024

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 primarily to the Group's operating activities (income and expenses denominated in a foreign currency) and the Group's net investments in foreign subsidiaries. The currently small amount of income is denominated in NOK. The Group's assets and liabilities at the end of the reporting period are mainly denominated in NOK, and the Group's equity is denominated in NOK. The expenses are mainly denominated in NOK and GBP, with some exposure in USD and EUR. The Group does not hedge currency exposure with the use of financial instruments at the current time, but monitors the net exposure over time.

Foreign currency sensitivity

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

Foreign currency sensitivity	Date	Change in FX rate	Effect on profit before tax	Effect on equity
Increase / decrease in NOK/GBP	31.12.2020	+/- 10%	546 718	546 718
Increase / decrease in NOK/GBP	31.12.2019	+/- 10%	1 708 719	1 708 719
Increase / decrease in NOK/GBP	01.01.2019	+/- 10%	-	-

Credit risk

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

The Group is exposed to credit risk related to other receivables, cash and cash equivalents and other current financial assets. However, the credit risk is assessed to be low as the counterparty to these assets are mainly DNB and Norwegian government branches.

Liquidity risk

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

The Group's objective is to secure funding for its working capital, including mainly the research and development of ACT®. An overview of the maturity profile of the Group's financial liabilities with corresponding cash flow effect is presented in note 4.2.

4.4 FAIR VALUE MEASUREMENT

ACCOUNTING POLICIES

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing t he asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non- financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another participant that would use the asset in its highest and best use.

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

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

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

Fair value disclosures

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

Other current financial assets

Other current financial assets comprise of investment in a quoted bond portfolio managed by DNB, thus the fair value is categorised as level 1.

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

	Date	Carrying amount	Fair value	Level 1	Level 2	Level 3
Liabilities disclosed at fair value						
Other current financial assets (Note 4.1)	31.12.2020	-	-			
Other current financial assets (Note 4.1)	31.12.2019	-	-			
Other current financial assets (Note 4.1)	01.01.2019	-	-			

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

4.5 EQUITY AND SHAREHOLDERS

ACCOUNTING POLICIES

Costs related to equity transactions
Transaction costs are deducted from equity, net of associated income tax.

Distribution to shareholders
The Group recognises a liability to make distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws of Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

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

Issued capital and reserves:

	Number of shares authorised and fully paid	Par value pershare (NOK)	Financial Position
Share capital in EXACT Therapeutics AS			
At 1 January 2019	**60 187**	**1,000**	**60 187**
Share capital increase - 9 February 2019	29 725	1,000	29 725
At 31 December 2019	**89 912**	**1,000**	**89 912**
Share capital increase - 4 May 2020	1 680	1,000	1 680
Share capital increase - 24 June 2020	398	1,000	398
Share capital increase - 10 July 2020	27 881	1,000	27 881
Share split 1:250 - 27 July 2020	29 847 879	0,004	-
At 31 December 2020	**29 967 750**	**0,004**	**119 871**

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

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

Issued capital and reserves:

Shareholders in EXACT Therapeutics AS at 31.12.2020	Total shares	Ownership/ Voting rights
Kvåle AS	3 017 500	10,07 %
PAACS Invest AS	2 678 250	8,94 %
Investinor Direkte AS	2 387 750	7,97 %
Brekke Holding AS	2 357 500	7,87 %
Andrew J. Healey	2 203 250	7,35 %
Canica AS	2 021 000	6,74 %
Per Christian Sontum	1 921 605	6,41 %
Optimuspistor AS	1 574 750	5,25 %
Verdipapirfondet Nordea Avkastning	1 244 999	4,15 %
Helene Sundt AS	1 131 000	3,77 %
Other shareholders (less than 3%)	9 430 146	31,48 %
Total	**29 967 750**	**100 %**

Shareholders in EXACT Therapeutics AS at 31.12.2019	Total shares	Ownership/ Voting rights
Kvåle AS	11 622	12,93 %
PAACS Invest AS	10 033	11,16 %
Andrew John Healey	9 775	10,87 %
Per Christian Sontum	8 981	9,99 %
Brekke Holding AS	8 660	9,63 %
Investinor AS	6 667	7,42 %
Optimuspistor AS	6 069	6,75 %
Canica AS	5 200	5,78 %
CGS Holding AS	2 601	2,89 %
Helene Sundt AS	2 601	2,89 %
Other shareholders (less than 3%)	17 703	19,69 %
Total	**89 912**	**100 %**

Shareholders in EXACT Therapeutics AS at 01.01.2019	Total shares	Ownership/ Voting rights
Kvåle AS	11 622	19,31 %
Andrew John Healey	10 555	17,54 %
Per Christian Sontum	9 761	16,22 %
PAACS Invest AS	6 579	10,93 %
Brekke Holding AS	5 539	9,20 %
Investinor AS	4 586	7,62 %
Optimuspistor AS	4 509	7,49 %
Other shareholders (less than 3%)	7 036	11,69 %
Total	**60 187**	**100 %**

Shares held by management or the Board at the end of the reporting periods are summarised in note 7.1.

4.6 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

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

Cash and cash equivalents	31.12.2020	31.12.2019	01.01.2019
Bank deposits, unrestricted	138 921 611	23 234 758	58 666 455
Bank deposits, restricted	302 769	519 924	538 297
Total cash and cash equivalents	**139 224 380**	**23 754 682**	**59 204 752**

Bank deposits earns a low interest at floating rates based on the bank deposit rates.

4.7 FINANCIAL INCOME AND EXPENSES

ACCOUNTING POLICIES

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

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

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

Finance income	**2020**	**2019**
Interest income	65 210	56 568
Other finance income	917 268	629 215
Gain on foreign exchange	790 878	383 828
Fair value gain on other current financial assets	-	170 755
Total finance income	**1 773 356**	**1 240 365**

Finance costs	**2020**	**2019**
Interest expenses	23 619	4 411
Interest expense on lease liabilities	-	10 060
Other finance costs	205	22 544
Loss on foreign exchange	89 035	44 913
Fair value loss on other current financial assets	47 304	-
Total finance costs	**160 163**	**81 929**

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

Other finance income is related to income from other current financial assets.

4.8 SHARE BASED PAYMENTS

ACCOUNTING POLICIES

Employees (including management) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

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

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

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

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

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

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

Social security tax on share based payments are recorded as a liability (see note 2.7).

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

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

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

— the choice of settlement has no commercial substance (for example, because the entity is legally prohibited from issuing shares);

— the entity has a past practice or stated policy of settling in cash; or

— the entity generally settles in cash whenever the counterparty asks for cash settlement.

Transactions where the counterparty has choice of settlement in equity or in cash
Where the counterparty has the right to elect for settlement in either shares or cash, IFRS 2 regards the transaction as a compound transaction to which split accounting must be applied. The general principle is that the transaction must be split into a liability component and an equity component. Once split, the two components are accounted for separately. The Group first measures the fair value of the liability component and then that of the equity component. The fair value of the equity component be reduced to take into account the fact that the counterparty must forfeit the right to receive cash in order to receive shares. The sum of the two components is the fair value of the whole compound instrument. The equity component is established by the fair value (FV) of the equity alternative and subtracting the fair value of the liability component.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Share option plan - Description

Under the Share Option Plan (SOP), share options of the parent are granted to management and employees of the Group. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options were granted on the 1 November 2019, 2 June 2020 and 1 August 2020 and are split into equally sized tranches that vest over one, two, three, four and five years.

The share options can be exercised up to 10 years after the grant date and expire approximately nine years from the balance sheet date 31st December 2020. The Group elects whether to settle the share options in cash or by delivery of shares. The Group has no practice of cash settlement for these share options and expects to settle the options by delivery of shares. The Group accounts for the RSUs as equity-settled transactions, measured by applying the Black-Scholes-Merton option-pricing model for European options (“BSM”). Share options held by management at the end of the reporting period are summarised in note 7.1.

The fair value of the options were determined at the grant dates and expensed over the vesting period. NOK 7 737 565 been expensed as employee benefit expenses in the period (NOK 0 in 2019).

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in,

	2020 WAEP	2020 Number	2019 WAEP	2019 Number
Outstanding options 1 January	0	0	0	0
Options granted	2,19	1 028 000	0	0
Options forfeited		-22 500	0	0
Options exercised*		0	0	0
Options expired		0	0	0
Outstanding options 31 December	2,19	1 005 500	0	0
Exercisable at 31 December		50 000		

The weighted average remaining contractual life for the share options outstanding as at 31st December 2020 was 10 years (2019: 0 years).

The exercise prices for options outstanding at the end of the year was NOK 0,38 for 755 500 options, and NOK 7,69 for 250 000 options (2019: NOK 0 to NOK 0).

The weighted average fair value of options granted during the year was NOK 30,2 (2019: NOK 0).

Assumptions used to determine fair value of share option grants:

	2020	2019
Weighted average fair values at the measurement date	31,80	0,00
Dividend yield (%)	0,0	0,0
Expected volatility (%)	90,1	0,0
Risk–free interest rate (%)	1,0	0,0
Expected life of share options (years)	10	0
Weighted average share price (NOK)	2,19	0,00
Model used	BSM	BSM

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. At last grant of options historic volatility of Exact Therapeutics AS share price did not provide sufficient historic data that corresponds to the expected life of the option. The expected volatility was therefore estimated based on the volatility of comparable listed companies. Risk free interest rates should be equal to the expected term of the option being valued.

(Cash or) Restricted Stock Units - Description

The Group has a Board remuneration program where the Board members may receive the compensation in cash or in Restricted Stock Units (RSU). Each RSU granted gives the right and obligation to acquire one share at nominal value (NOK 0.004) from EXACT Therapeutics AS. The number of RSUs received by each Board member is equal to the amount such member resolves to receive in the form of RSUs, divided by the market price of the shares at the time of the general meeting resolving the remuneration.

The program were granted in June 2019 and June 2020 with a vesting period of 12 months. The RSUs may be exercised up to three years after they are fully vested and at the end of the reporting period the RSUs granted expire in approximately three years. As Board members have the right to elect for settlement in either shares or cash, the Group regards the transaction as a compound transaction to which split accounting is applied. The sum of the two components is the fair value of the whole compound instrument. The equity component is established by the fair value (FV) of the equity alternative and subtracting the fair value of the liability component. Once split, the two components are accounted for separately.

Following the Annual General Meeting (AGM) where shareholders approve Board compensation, the Board members elect to receive compensation in shares or cash. If the AGM has given a proxy to the Board, the Board issues shares for RSUs to its members as approved by AGM.

RSUs held by Board members at the end of the reporting period are summarised in note 7.1.

The fair value of the RSUs were determined at the grant dates and expensed over the vesting period. NOK 110.858 have been expensed as employee benefit expenses in the period (NOK 0 in 2019).

	2020 Number	2019 Number
Outstanding RSUs at 1 January	0	0
RSUs granted	231	0
RSUs forfeited	0	0
RSUs exercised*	0	0
RSUs expired	0	0
Outstanding RSUs at 31 December	231	0
Exercisable at 31 December	0	

Assumptions used to determine fair value of RSU grants:

	2020	2019
Weighted average fair values at the measurement date		
Dividend yield (%)	0,0	
Expected volatility (%)	90,1	
Risk–free interest rate (%)	1,0	
Expected life of share options (years)	1	
Weighted average share price (NOK)	1,00	
Model used	BSM	BSM

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

4.9 EARNINGS PER SHARE

ACCOUNTING POLICIES

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

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

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

	2020	2019
Profit or loss attributable to ordinary equity holders - for basic EPS	-33 085 468	-14 824 872
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution	-33 085 468	-14 824 872
Weighted average number of ordinary shares - for basic EPS	15 028 831	75 050
Weighted average number of ordinary shares - for diluted EPS	15 028 831	75 050
Basic EPS - profit or loss attributable to equity holders of the parent	-2	-198
Diluted EPS - profit or loss attributable to equity holders of the parent	-2	-198

5.1 TAXES

ACCOUNTING POLICIES

Current income tax

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

Deferred tax

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

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

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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. Significant management judgement is required to determine the amount 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.

The Group has NOK 65 990 535 as at 31.12.2020 (NOK 41 547 297 as at 31.12.2019 and NOK 23 192 974 as at 01.01.2019) of tax losses carried forward. These losses relate to historical losses in the parent company. The tax loss carried forward from Norwegian entities may be offset against future taxable income and will not expire. Other tax losses carried forward do not expire.

The parent company has neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by NOK 17 404 772.

Current income tax expense:	**2020**	**2019**
Tax payable	-	-
Adjustment for income tax payable for previous periods	-	-
Change deferred tax/deferred tax assets (ex. OCI effects)	-	-
Total income tax expense	-	-

Deferred tax assets:	**31.12.2020**	**31.12.2019**	**01.01.2019**
Property, plant and equipment	-269 434	122 125	190 270
Right-of-use assets	5 485	13 743	-
Accruals and more	12 861 834		
Shares and other securities	524 179		
Losses carried forward (including tax credit)	65 990 535	41 547 297	23 192 974
Basis for deferred tax assets:	**79 112 599**	**41 683 165**	**23 383 244**
Calculated deferred tax assets	17 404 772	9 170 296	5 144 314
- Deferred tax assets not recognised	-17 404 772	-9 170 296	-5 144 314
Net deferred tax assets in the statement of financial position	**-0**	**-**	**-0**

The Group's operations are subject to income tax in various foreign jurisdictions. The statutory income tax rates vary from 19% to 22%, which results in a difference between the statutory income tax rate in Norway and the average tax rate applicable to the Group. The average tax rate for the group's deferred tax assets are 22% for 31.12.2020, 22% for 31.12.2019 and 22% for 01.01.2019. The average tax rate for the group's deferred tax liabilities are 22% for 31.12.2020, 22% for 31.12.2019 and 22% for 01.01.2019

A reconciliation of the differences between the theoretical tax expense under the rate applicable in Norway and the actual tax expense is as follows:

Reconciliation of income tax expense	**2020**	**2019**
Profit or loss before tax	-33 085 468	-14 824 872
Tax expense 22% (Norwegian tax rate)	-7 278 803	-3 261 472
Change to prior period tax expense	-	-
Permanent differences *	-3 796 027	-726 945
Effects of foreign tax rates	-	-
Effects of changes in tax rate	-	-
Currency effects	-	-
Effect of not recognising deferred tax assets	11 074 830	3 988 416
Recognised income tax expense	**0**	**0**

* The permanent differences are related to SkatteFUNN and other non-deductible costs in the Group's entities.

6.1 INTERESTS IN OTHER ENTITIES

ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of EXACT Therapeutics AS and its subsidiaries as at 31st December 2020. The subsidiaries are consolidated when control is achieved as defined by IFRS 10. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. However, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group does not have ownership in joint arrangements as defined by IFRS 11, other associates, interests in unconsolidated structured entities or interests in unconsolidated subsidiaries that require disclosure under IFRS 12.

The consolidated entities
The subsidiaries of EXACT Therapeutics AS are presented below:

Consolidated entities 31 December 2020	Office	CUR	Shareholding and the Group’s voting ownership share	Date of consolidation
ACT Therapeutics Ltd	Suffolk, UK	GBP	100%	31.03.2020

All subsidiaries are included in the consolidated statement of financial position.

To comply with the audit exemption for UK subsidiary companies under section 479A of the Companies Act, the Parent company EXACT Therapeutics AS guarantees all outstanding liabilities of ACT Therapeutics Ltd. for the year ended 31st December 2020.

7.1 REMUNERATION TO MANAGEMENT AND THE BOARD

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

The Board members may chose to receive compensation for their services in Restricted Stock Units (RSUs), this option is described in note 4.8. The Board members' holdings of RSUs are summarised further below.

Remuneration to Executive Management
The Board of EXACT Therapeutics AS determines the principles applicable to the Group's policy for compensation to the Executive Management. The Board determines remuneration of the CEO and management team based on recommendations from the Remuneration Committee. The Group's Executive Management includes the Chief Executive Officer, Chief Medical Officer, Chief Technology Officer, Chief Financial Officer and Chief Operating Officer.

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

Short Term Incentive: At the discretion of the Board, the Executive Management team may be eligible for a short term incentive payment on both Company and individual performance. In 2020, short term incentive payments paid to Executive Management are summarised in the Table below.

Pension
All Executive Management are members of the defined contribution pension scheme.

Other benefits
Members of Executive Management have been granted share options under the Group's share option plan, described in note 4.8. The share options held by the management team are summarised further below.

Severance Arrangements
If the CEO is terminated by the Board, he is not entitled to severance pay in addition to the ordinary notice period of 12 months. For other senior management, termination only results in payment of notice period.

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

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

NOK	Salary	Bonus	Pension	Other compensation	Total remuneration
Dr Rafiq Hasan, CEO from 01.08.20 *	1 258 333	966 705	37 750	4 953	2 267 741
Dr Spiros Kotopoulis, CTO	1 201 726	60 000	86 244	29 385	1 377 355
Stig Jarle Pettersen, CFO **	-	-	-	988 575	988 575
Dr Per Christian Sontum, Co-founder & CEO to 31.07.20	1 382 809	-	95 232	24 424	1 502 465
Dr Svein Kvåle, Co-founder & COO	1 328 005	50 000	95 280	26 548	1 499 833
Dr Andrew J. Healey, CSO, resigned 31.10.20 ***	1 197 065	-	87 505	18 583	1 303 153
Total	**6 367 938**	**1 076 705**	**402 011**	**1 092 468**	**8 939 122**

* The average exchange rate in 2020 for GBP/NOK 12,08 has been used to convert remuneration to NOK.

** Invoiced from CFO For Hire AS, 100% owned by Stig Jarle Pettersen.

*** Of total salary of NOK 1,197,065, NOK 344,000 is payment in 2020 for work performed for the Company during 2013-2015 (expensed in the accounts in that period).

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

NOK	Salary	Bonus	Pension	Other compensation	Total remuneration
Dr Per Christian Sontum, Co-founder & CEO	1 323 323	300 000	**70 332**	26 154	1 719 809
Dr Spiros Kotopoulis, CTO	647 177	-	**30 504**	19 839	697 520
Stig Jarle Pettersen, CFO *	-	-	-	213 150	213 150
Dr Svein Kvåle, Co-founder & COO	1 323 324	100 000	70 176	28 776	1 522 276
Dr Andrew John Healey, CSO	1 323 324	100 000	70 368	27 465	1 521 157
Total	**4 617 148**	**500 000**	**241 380**	**315 384**	**5 673 912**

* Invoiced from CFO For Hire AS, 100% owned by Stig Jarle Pettersen.

Remuneration to the Board of Directors for the year ended 31st December 2020:

NOK	2020	2019
Dr Masha Strømme, Chair of the Board, board fees	350 000	225 000
Sir William Martin Castell, Board member	350 000	225 000
Dr Jean-Claude Provost, Board member, board fees***	125 000	40 000
Hans Henrik Klouman, Board member	125 000	40 000
Dr Jean-Michel Cosséry, Board member, board fees**	93 750	-
Dr Susanne Stuffers, Board member	-	-
Dr Aitana Peire Morais, Board member	-	-
Jan Fikkan, Board member (not re-elected 09.07.20), board fees	125 000	40 000
Total compensation to Board of Directors	**1 168 750**	**570 000**

NOK	2020	2019
Dr Masha Strømme, Chair of the Board, Executive Chair fees*	460 274	-
Dr Masha Strømme, Chair of the Board, other fees	1 830	-
Total Executive Management fee	**462 104**	**-**

* Dr Masha Strømme assumed the position of Executive Chair from April 2020 to August 2020 inclusive during a period of extended sick leave for the CEO.

** In addition, Dr Cosséry has received NOK 156 250 for his position in the Advisory Board.

*** In addition, Dr Provost has received NOK 255 130 for his advisory services to the company through his company Theranostics Consulting.

Some members of the BoD were granted warrants in the period of 2015-2017 with expiration date 31 March 2020. These warrants were exercised in a General Meeting on 31 March 2020. Gains related to these warrants are considered as remuneration for the BoD. For Dr Masha Strømme this amounted to NOK 507 700 and for Jan Fikkan this amounted to NOK 1 013 400.

Shares held by Executive Management team:

Shares	31.12.2020	31.12.2019 *
Dr Rafiq Hasan - CEO	-	-
Dr Spiros Kotopoulis - CTO	7 500	7500
Stig Jarle Pettersen - CFO, CFO For Hire AS	30 000	-
Dr Per Christian Sontum - Co-founder	1 921 605	2 242 500
Dr Svein Kvåle - Co-founder & COO, shares held by Kvåle AS	3 017 500	2 898 000
Dr Andrew John Healey - CSO, resigned 31.10.20	2 203 250	2 443 750
Total	**7 179 855**	**7 591 750**

* 2019 number of shares adjusted for 250:1 share split completed in 2020

Shares held by the Board of Directors:

Shares	2020	2019 *
Dr Masha Strømme - Chair of the Board	2 678 250	2 508 250
Sir William Martin Castell - Board member	332 500	300 000
Dr Jean-Claude Provost - Board member	-	-
Hans Henrik Klouman - Board member	399 750	346 000
Dr Jean-Michel Cosséry - Board member & Advisory committee	-	-
Dr Susanne Stuffers - Board member	134 000	134 000
Dr Aitana Peire Morais - Board member	-	-
Jan Fikkan - Board member, not re-elected 09.07.20	285 750	135 750
Total number of shares owned by the Board of Directors	**3 830 250**	**3 424 000**

* 2019 number of shares adjusted for 250:1 share split completed in 2020

Share options held by Executive Management team:

Options	31.12.2020	31.12.2019
Dr Rafiq Hasan - CEO	755 500	-
Dr Spiros Kotopoulis - CTO	250 000	-
Total	**1 005 500**	**-**

The CEO share options have been granted as part of an Executive Management Incentive (EMI) scheme established in May 2020, for which the valuation of the Company was approved by the UK tax authorities, HMRC. This scheme will form the basis for future option grants to UK based employees.

Restricted Stock Units held by the Board of Directors:

Shares	31.12.2020	31.12.2019
Dr Masha Strømme - Chair of the Board	75	-
Sir William Martin Castell - Board member	75	-
Dr Jean-Michel Cosséry - Board member	28	-
Dr Jean-Claude Provost - Board member	15	-
Hans Henrik Klouman - Board member	38	-
Total	**231**	**-**

Board members can choose to receive, in full, partly, or zero, of the earned Board fee converted into subscription of shares to the nominal value through the granting of Restricted Share Units (RSUs). The RSUs vest 1/12 each month during the Board period. The number of shares is calculated by dividing the Board fee by the latest share price at the time the Director chooses to purchase the shares. The shares must be purchased within three years of the Director choosing to receive the board fee in RSUs. At the AGM 2020, the Board members listed elected to receive the following RSUs: Dr Masha Strømme 130 RSUs; Sir William Martin Castell 130 RSUs; Hans Henrik Klouman 65 RSUs; Dr Jean-Claude Provost 25 RSUs; Dr Jean-Michel Cosséry 48 RSUs. These have been adjusted to reflect the 7/12 vesting between June and December 2020.

7.2 RELATED PARTY TRANSACTIONS

Related parties are major shareholders, members of the Board and management in the parent company and the group subsidiaries. Note 6.1 and 4.5 provides information about the Group structure, including details of the subsidiaries and shareholders. Significant agreements and remuneration paid to management and the Board for the current and prior period is presented in note 7.1. Shares, share options and RSUs held by management and the Board are also summarised in note 7.1.

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

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

Related party transactions in 2020 and balances at 31 December 2020	**Executive management**	**Board Member**	**Other Shareholders**	**Total**
Current other receivable from related parties	10 081	-	-	10 081
Purchase of professional services from Theranostics Consulting *		255 130		255 130
Purchase of professional services from Jean-Michel Yves Sylvain Cosséry **		156 250		156 250

* In 2020, the Company has used professional services from its Board member Dr Jean-Claude Gaston Provost in relation to consulting services. The work is related to work beyond board duties. The contract for these services is based on market rates and conditions for such services. These services have been invoiced by Theranostics Cosulting, a company controlled by Board member, and included in other operating expenses.

** In 2020, the company has used professional services from its Board member Dr Jean-Michel Yves Sylvain Cosséry in relation to consulting services. The work is related to work beyond board duties. The contract for these services is based on market rates and conditions for such services. These services have been invoiced and included in other operating expenses.

Related party transactions in 2019 and balances at 31 December 2019	**Executive management**	**Board Member**	**Other Shareholders**	**Total**
Current other receivable from related parties	33 875	-	-	33 875

Related party balances 1 January 2019	**Executive management**	**Board Member**	**Other Shareholders**	**Total**
Current other receivable from related parties	67 991	-	-	67 991

7.3 EVENTS AFTER THE REPORTING PERIOD

ACCOUNTING POLICIES

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

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

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

COVID-19
The Covid pandemic continues to have a detrimental impact on operations particularly enrolment into the Phase I ACTIVATE study in both the UK and Norway. This is likely to continue through 2021 with delays likely to planned data readouts.

8.1 FIRST TIME ADOPTION OF IFRS

These financial statements, for the period ended 31 December 2020 are the first the Group has prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2020, together with the comparative period ended 31 December 2019, as described in the basis of preparation (Note 1.1). In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2019, the Group's date of transition to IFRS.

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

Exemptions applied

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

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

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

Effect of transition to IFRS

The main differences recognised at the transition to IFRS are due to adjustment in leasing, fair value adjustment on financial instruments and share based payments.

Reconciliation of transitional effects

Reconciliation of equity and financial position as at 1 January 2019:

Amounts in NOK			01.01.2019	
ASSETS	**Note**	**NGAAP IB 2019**	**Effect of transition to IFRS**	**IFRS**
Non-current assets				
Property, plant and equipment		171 974		171 974
Right-of-use assets		-		-
Deferred tax assets				-
Total non-current assets		**171 974**	**-**	**171 974**
Current assets				
Other receivables		3 855 735		3 855 735
Other current financial assets		-		-
Cash and cash equivalents		59 204 752		59 204 752
Total current assets		**63 060 487**	**-**	**63 060 487**
TOTAL ASSETS		**63 232 461**	**-**	**63 232 461**

Amounts in NOK			01.01.2019	
EQUITY AND LIABILITIES	Note	NGAAP IB 2019	Effect of transition to IFRS	IFRS
Equity				
Share capital		60 187		60 187
Share premium		72 440 981		72 440 981
Treasury shares		-		-
Other equity	A	-15 440 066		-15 440 066
Total equity		**57 061 102**	**-**	**57 061 102**
Non-current liabilities				
Non-current lease liabilities		-		-
Deferred tax liabilities		-		-
Non-current provisions	B	-		-
Total non-current liabilities		**-**		**-**
Current liabilities				
Current lease liabilities		-		-
Trade and other payables		6 171 359		6 171 359
Current provisions	B			-
Total current liabilities		**6 171 359**		**6 171 359**
Total liabilities		**6 171 359**		**6 171 359**
TOTAL EQUITY AND LIABILITIES		**63 232 461**		**63 232 461**

No IFRS effects identified on 1 January 2019.

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

Amounts in NOK			31.12.2019	
ASSETS	**Note**	**NGAAP**	**Effect of transition to IFRS**	**IFRS**
Non-current assets				
Property, plant and equipment		1 287 070		1 287 070
Right-of-use assets	A	-	170 324	170 324
Deferred tax assets		-	-	-
Total non-current assets		**1 287 070**	**170 324**	**1 457 394**
Current assets				
Other receivables		5 091 542		5 091 542
Other current financial assets		21 628 962	170 755	21 799 717
Cash and cash equivalents		23 754 682		23 754 682
Total current assets		**50 475 186**	**170 755**	**50 645 941**
TOTAL ASSETS		**51 762 256**	**341 079**	**52 103 335**

Amounts in NOK			31.12.2019	
EQUITY AND LIABILITIES	**Note**	**NGAAP IB 2019**	**Effect of transition to IFRS**	**IFRS**
Equity				
Share capital		89 912		89 912
Share premium		72 440 981		72 440 981
Treasury shares		-		-
Other equity	C	-30 451 675	157 012	-30 294 663
Total equity		**42 079 218**	**157 012**	**42 236 230**
Non-current liabilities				
Non-current lease liabilities	D	-	37 894	37 894
Deferred tax liabilities		-		-
Non-current provisions	E	-		-
Total non-current liabilities		**-**	**37 894**	**37 894**
Current liabilities				
Current lease liabilities	D	-	146 173	146 173
Trade and other payables		9 683 038		9 683 038
Current provisions	E		-	-
Total current liabilities		**9 683 038**	**146 173**	**9 829 211**
Total liabilities		**9 683 038**	**184 066**	**9 867 104**
TOTAL EQUITY AND LIABILITIES		**51 762 256**	**341 079**	**52 103 335**

A: The IFRS adjustment of NOK 170 324 reflects the recognised right-of-use asset less depreciation of the year related to leasing of office space. Under NGAAP lease payments were accounted for as operating expenses and hence no asset or liability has previously been recognised.

B: The IFRS adjustment of NOK 170 600 reflects the fair value adjustment related to financial instruments (investment in bond fund) carried at cost under NGAAP.

C: The IFRS adjustment in other equity reflects the IFRS adjustments in P&L amounting to NOK 157 012 (see below).

D: The IFRS adjustments of NOK 37 894 and NOK 146 173 reflect the non-current and current portion of the lease liability recognised related to leasing of office space in accordance with IFRS 16

E: The IFRS adjustments in non-current provision and current provision of NOK 0 and NOK 0 are related to the social security part of the share-based payments.

Reconciliation of total comprehensive income for 2019:

NOK	Note	NGAAP	Effect of transition to IFRS	IFRS
Government grants and other income	E	7 427 948	-7 339 703	88 245
Total other income		**7 427 948**	**-7 339 703**	**88 245**
Employment benefits expense	E	7 362 537	-1 908 323	5 454 214
Other operating expenses	A, E	15 760 881	-5 545 614	10 101 033
Depreciation and amortisation	B	284 155	117 916	519 987
Impairment		-		-
Operating profit or loss		**-15 979 625**	**-3 682**	**-15 983 307**
Finance income	C	1 069 610	170 755	1 240 365
Finance costs	D	71 869	10 060	81 929
Profit or loss before tax		**-14 981 884**	**157 012**	**-14 824 872**
Income tax expense		-		-
Profit or loss for the year		**-14 981 884**	**157 012**	**-14 824 872**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations				-
Total other comprehensive income for the year		**-**	**-**	**-**
Total comprehensive income for the year		**-14 981 884**	**157 012**	**-14 824 872**

A: The IFRS adjustment of NOK 114 200 reflects reversal of lease expense from the operating lease of office space under NGAAP. As the lease of office space shall be recognised in the balance sheet according to IFRS 16, the previously expense is reversed.

B: The IFRS adjustment of NOK 117 916 reflects the change in depreciation as a result of IFRS 16.

C: The IFRS adjustment of NOK 170 755 under finance income is related to the net changes in fair value of financial instruments (bond fund).

D: The IFRS adjustment of NOK 10 060 is related to interest expense on the lease liability under IFRS 16.

E: The IFRS adjustment of NOK 7 339 703 is a reclassification of grants from income to reduction of costs related to the projects the grant is related to. Of NOK 7 339 703, NOK 1 908 323 have reduced Employment benefit expenses and NOK 5 545 614 have reduced Other operating expenses.

Reconciliation of statement of cash flows for 2019:

Cash flows from operating activities (NOK)	**Note**	**NGAAP**	**Effect of transition to IFRS**	**IFRS**
Profit or loss before tax	A	-14 981 884	157 012	-14 824 872
Adjustments to reconcile profit before tax to net cash flows:				-
Net financial income/expense	B	-	-160 695	-160 695
Depreciation and impairment of property, plant and equipment		284 155		284 155
Amortisation and impairment of Right-of-use assets	C			117 916
Share-based payment expense	D	-	117 916	-
		-		
Working capital adjustments:				-
Changes in other receivables		-1 235 807		-1 235 807
Changes in trade and other payables		3 511 679		3 511 679
Changes in provisions and other liabilities	E			-
Net cash flows from operating activities		**-12 421 857**	**114 234**	**12 307 623**

Cash flows from investing activities			
Purchase of property, plant and equipment	-1 399 251		-1 399 251
Purchase of financial instruments	-21 628 962		-21 628 962
Proceeds from sale of financial instruments			-
Interest received			-
Net cash flow from investing activities	**-23 028 213**	**-**	**-23 028 213**

Cash flow from financing activities			
Proceeds from issuance of equity			-
Transaction costs on issue of shares			-
Payments for the principal portion of the lease liability		-104 174	-104 174
Payments for the interest portion of the lease liability		-10 060	-10 060
Interest paid			-
Net cash flows from financing activities	**-**	**-114 234**	**-114 234**

Net increase/(decrease) in cash and cash equivalents	**-35 450 070**	**0**	**-35 450 070**
Cash and cash equivalents at beginning of the year/period	59 204 752		59 204 752
Net foreign exchange difference			-
Cash and cash equivalents, end of year	**23 754 682**	**0**	**23 754 682**

A: The effect on profit or loss before tax of NOK 157 thousand reflects the adjustments described in the reconciliation of P&L for the year ended 31st December 2019 above.

B: The effect on net financial income/expense of NOK 160.7 thousand reflects the net effect of finance income from financial instruments (bond fund) and finance cost related to interest expense on the lease liability under IFRS 16.

C: The effect on amortisation and impairment of right-of-use assets of NOK 117.9 thousand reflects the change in depreciation as a result of IFRS 16.

8.1 FIRST TIME ADOPTION OF IFRS

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

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

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

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

A lessee applies the amendment for annual reporting periods beginning on or after 1 June 2020. The amendments is not expected to have a significant impact on the Group's financial statements.

IFRS 17 Insurance Contracts

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

INCOME STATEMENT

OPERATING INCOME AND OPERATING EXPENSES	Note	2020	2019
Revenue		0	88 245
Total operating income		**0**	**88 245**
Personnel expenses	3, 4, 5, 6	15 128 349	5 454 214
Depreciation of operating and intangible assets	8	745 423	284 155
Other operating expenses	5, 6, 11	18 932 674	10 329 501
Total operating expenses		**34 806 446**	**16 067 870**
Operating profit		**-34 806 446**	**-15 979 625**

FINANCIAL INCOME AND EXPENSES

Interest income from group companies	11	6 445	0
Other interest income	7	982 479	685 782
Other financial income	12	790 878	383 828
Other interest expenses		7 419	4 411
Other financial expenses	12	141 907	67 458
Net financial items		**1 630 476**	**997 741**
Operating result before tax		**-33 175 971**	**-14 981 884**
Ordinary result after tax		**-33 175 971**	**-14 981 884**
Annual net profit	4	**-33 175 971**	**-14 981 884**

BROUGHT FORWARD

Loss brought forward		33 175 971	14 981 884
Net brought forward	4	**-33 175 971**	**-14 981 884**

EXACT THERAPEUTICS PARENT COMPANY

BALANCE SHEET

ASSETS	Note	2020	2019
FIXED ASSETS			
TANGIBLE ASSETS			
Equipment and other movables	8	3 728 836	1 287 070
Total tangible assets	8	**3 728 836**	**1 287 070**
FINANCIAL FIXED ASSETS			
Investments in subsidiaries	11	117 096	0
Loan to group companies	10	1 732 890	0
Total financial fixed assets		**1 849 986**	**0**
Total fixed assets		**5 578 822**	**1 287 070**
CURRENT ASSETS			
DEBTORS			
Other short-term receivables	6	5 439 646	5 091 542
Total receivables		**5 439 646**	**5 091 542**
INVESTMENTS			
Other marketable financial instruments	7	20 498 927	21 628 962
Total investments		**20 498 927**	**21 628 962**
Cash and bank deposits	2	138 872 274	23 754 682
Total current assets		**164 810 848**	**50 475 186**
Total assets		**170 389 670**	**51 762 256**

EXACT THERAPEUTICS PARENT COMPANY

BALANCE SHEET

EQUITY AND LIABILITIES	Note	2020	2019
EQUITY			
PAID-UP EQUITY			
Share capital	3, 4	119 871	89 912
Share premium reserve		215 137 483	72 440 981
Other paid-up equity	3	7 848 423	0
Total paid-up equity		**223 105 777**	**72 530 893**
RETAINED EARNINGS			
Other equity		0	-30 451 675
Uncovered loss		-63 627 646	0
Total retained earnings		**-63 627 646**	**-30 451 675**
Total equity	4	**159 478 132**	**42 079 218**
LIABILITIES			
CURRENT DEBT			
Trade creditors	10	2 547 255	3 340 871
Public duties payable		488 683	775 282
Liabilities to group companies		636 964	0
Other current debt	10	7 238 636	5 566 885
Total current debt		**10 911 538**	**9 683 038**
Total liabilities		**10 911 538**	**9 683 038**
Total equity and liabilities		**170 389 670**	**51 762 256**

EXACT Therapeutics AS, 18 May 2021

DocuSigned by:
Masha Stromme
00B0F4C5FC12467...
Masha Strømme
CHAIR OF BOARD

DocuSigned by:
Bill Castell
837B5D70E2704AD...
Sir William Martin Castell
VICE CHAIR OF BOARD

DocuSigned by:
Jean Claude Provost
ECBC95BD30EB454...
Jean-Claude Provost
BOARD MEMBER

DocuSigned by:
Jean-Michel Cossery
D19C696BF7DE485...
Jean-Michel Cosséry
BOARD MEMBER

DocuSigned by:
Hans Henrik Klouman
1BDA92E6F18949E...
Hans Henrik Klouman
BOARD MEMBER

DocuSigned by:
Susanne Stuffers
B071204989A84DB...
Susanne Stuffers
BOARD MEMBER

DocuSigned by:
Aitana Peire
D746A41E6179403...
Aitana Peire
BOARD MEMBER

DocuSigned by:
Rafiq Hasan
CF8FEA96F4A544D...
Rafiq Hasan
CEO

EXACT THERAPEUTICS PARENT COMPANY

NOTES 2020

NOTE 1: ACCOUNTING PRINCIPLES

The annual accounts have been prepared in conformity with the Accounting Act and Good accounting practice for small companies.

Foreign Currency
Monetary foreign currency items are valued at the exchange rate on the balance sheet date.

Tax
The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate of 22% on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are off set and entered net.

Classification And Valuation Of Fixed Assets
Fixed assets include assets included for long-term ownership and use. Fixed assets are valued at acquisition cost. Property, plant and equipment are entered in the balance sheet and depreciated over the asset's economic lifetime. Property, plant and equipment are written down to a recoverable amount in the case of a fall in value which is not expected to be temporary. The recoverable amount is the higher of the net sale value and value in use. Value in use is the present value of future cash flows related to the asset. Write-downs are reversed when the basis for the write-down is no longer present.

Classification And Valuation Of Current Assets
Current assets and short-term liabilities normally include items that fall due for payment within one year of the balance sheet date, as well as items that relate to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value.

Shares In Subsidiaries
Subsidiaries are valued using the cost method in the company accounts. The investment is valued at acquisition cost for the shares unless a write-down has been necessary. A write-down to fair value is made when a fall in value is due to reasons that cannot be expected to be temporary and such write-down must be considered as necessary in accordance with good accounting practice. Write-downs are reversed when the basis for the write-down is no longer present. Dividends, group contributions and other distributions from subsidiaries are posted to income in the same year as provided for in the distributor's accounts. To the extent that dividends/ group contributions exceed the share of profits earned after the date of acquisition, the excess amounts represents a repayment of invested capital, and distributions are deducted from the investment's value in the balance sheet of the parent company.

Receivables
Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables.

Government Grants
Government grants are recognised when it is reasonably certain that the company will meet the conditions stipulated for the grants and that the grants will be received. Operating grants are recognised systematically during the grant period. Grants are deducted from the cost which the grant is intended to cover.

Research and Development
Costs regarding research and development are expensed in accordance with the accounting act § 5-6 and IFRS, IAS 38.54 and 38.57.

Share Based Payments
The Company has share-based programs for Executive Management. The programs are measured at fair value at the date of the grant. The share option program for Executive Management is settled in stocks. The fair value of the issued options is expensed over the vesting period which in this case is over the agreed-upon future service period. The cost of the employee share-based transaction is expensed over the average vesting period. The value of the issued options of the transactions that are settled with equity instruments (settled with the Company's own shares) is recognised as salary and personnel cost in profit and loss and in other paid-in capital. The value of the issued options of the programs that are settled in cash (cash-based programs) are recognised as salary and personnel cost in profit and loss and as a liability in the balance sheet. The liability is measured at fair value at each balance sheet date until settlement, and changes in the fair value are recognised in profit and loss. Social security tax on options is recorded as a liability and is recognised over the estimated vesting period.

Restricted Stock Units (RSUs)
The Company has a board remuneration program where Board members may receive compensation in cash or in restricted stock units (RSUs). Each RSU granted gives the right and obligation to acquire one share at nominal value.

Short-Term Investments
Securities in an easily tradable portfolio are valued at fair value at year end.

Changes In Accounting Principles
The accounting policies adopted are consistent with those of the previous financial year, except for the following changes:

- Grants are deducted from the cost which the grant is intended to cover. Comparable amounts for 2019 have been reclassified from presentation as Revenue to be deducted from Payroll and Other operating expenses of NOK 7 339 703. This change has no effect on profit and loss or equity as it is only a change in presentation in the profit & loss statement.
- Share based payments are accounted for in accordance with NRS 15A stating that accounting will be done in compliance with IFRS 2 comparable amounts for 2019 as agreements with employees were entered into during 2020.
- Short term investments in an easily tradable portfolio are valued at fair value at year's end in compliance with IFRS 9 instead of the lowest of cost-price and fair value at year end.

NOTE 2: BANK DEPOSITS

Funds available in the tax deduction account (restricted funds) are NOK 302 769.

The deposit covers payroll taxes withheld from employees as per 31.12.2020.

EXACT THERAPEUTICS PARENT COMPANY

NOTE 3: SHARE CAPITAL, SHAREHOLDERS ETC.

The share capital in EXACT Therapeutics AS as at 31.12 consists of:

	Number	Par value	Posted
Ordinary shares	29 967 750	0,004	119 871
Total	**29 967 750**		**119 871**

All shares give the same rights in the Company.

Statement of the largest shareholders as at 31.12.2020:

	Ordinary shares	Ownership share
Kvåle AS	3 017 500	10,07 %
PAACS Invest AS *	2 678 250	8,94 %
Investinor Direkte AS	2 387 750	7,97 %
Brekke Holding AS	2 357 500	7,87 %
Andrew J. Healey	2 203 250	7,35 %
Canica AS	2 021 000	6,74 %
Per Chr. Sontum	1 921 605	6,41 %
Optimuspistor AS	1 574 750	5,25 %
V.P. Nordea Avkastning	1 244 999	4,15 %
Helene Sundt AS	1 131 000	3,77 %
Total	**20 537 604**	**68,52 %**
Others (less than 3%)	9 430 146	31,48 %
Total	**29 967 750**	**100,00 %**

Shares and options held by Executive Management and members of the Board of Directors:

	Ordinary	Options	Restrictive share units
CEO, Rafiq Hasan	0	755 500	0
CTO, Spiros Kotopoulis	7 500	250 000	0
COO, Svein Kvåle, owns Kvåle AS	3 017 500	0	0
Board members:			
Chair Masha Strømme *	0	0	75
Vice Chair Sir William Castell	332 500	0	75
Hans Henrik Klouman, owns Virkelyst AS	399 750	0	38
Susanne Stuffers, owns Ubiquity AS	134 000	0	0
Jean-Claude Provost, owns Theranostics Consulting SAS	11 250	0	15
Jean-Michel Y. Cosséry	0	0	28
Total	**3 902 500**	**1 005 500**	**231**

* Masha Strømme's husband Dag Strømme owns the company PAACS Invest AS 100% which owns 2 678 250 shares.

As at 31.12.2020 the company had issued share options to the CEO to subscribe for 755 500 shares at a strike price of NOK 0,38 and the CTO for 250 000 shares at a strike price of NOK 7,69.

The costs of these employee share-based transactions are expensed over the average vesting period with a total of NOK 8 955 050 in 2020, consisting of CEO NOK 6 144 285, CTO NOK 2 684 276 and Board members NOK 126 489. The number of Restricted Stock Units (RSU) granted to Board members is equal to the amount such member elects to receive in the form of RSUs, divided by the market price of the shares at the time of the general meeting where the election is made.

NOTE 4: EQUITY CAPITAL

	Share capital	Share premium	Other paid-in equity capital	Uncovered loss	Total equity capital
Pr. 31.12.2019	**89 912**	**72 440 981**	**0**	**-30 451 675**	**42 079 218**
Registered capital 04.05	1 680	1 116 030			1 117 710
Registered capital 24.06	398	389 963			390 361
Registered capital 10.07	27 881	144 981 200			145 009 081
Registered capital costs		-3 790 691			-3 790 691
Cost of employee options and RSUs			7 848 423	0	7 848 423
Result for the year				-33 175 971	-33 175 971
Total	**119 871**	**215 137 483**	**7 848 423**	**-63 627 646**	**159 478 131**

NOTE 5: SALARY COSTS AND BENEFITS, REMUNERATION TO THE CHIEF EXECUTIVE OFFICER, BOARD OF DIRECTORS AND AUDITOR

Salary Costs	2020	2019
Salaries	13 446 448	4 185 057
Employment tax	1 202 456	907 419
Pension costs	374 395	256 305
Other benefits	105 050	105 433
Total	**15 128 349**	**5 454 214**

In 2020 the company employed an average of 4 full time equivalents.

Pension Liabilities

The company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act. The company's pension schemes satisfy the requirements of this Act.

Remuneration To Leading Personnel	Chief Executive (CEO)	Board
Salaries	841 144	1 629 024
Other remuneration	2 562	1 830
Total	**843 706**	**1 630 854**

The former CEO resigned as of 31.07.2020, with the new CEO appointed from 01.08.2020. The new CEO is based in the UK and paid from the subsidiary company ACT Therapeutics Ltd. The new CEO's remuneration is not included in the table above. The new CEO has a one year notice period with no other contractual severance pay after leaving the company, and has the option to buy shares (see note 3 for more information).

The Board of Directors have received NOK 793 750 in board fees and NOK 375 000 in RSUs.
The Chair of the Board has received an extraordinary remuneration of NOK 460 274, having assumed the role of Executive Chair between April and August inclusive, due to long term sickness of the former CEO.

Auditor
Audit fees expensed in 2020 amount to NOK 143 250, paid to the former auditor Revisorgruppen Oslo AS NOK 43 250 and Ernst & Young NOK 100 000.
In addition there are fees for other services from Ernst & Young of NOK 318 161. All amounts excl. VAT.

NOTE 6: PUBLIC GRANTS

In 2020 a grant of NOK 3 484 000 was awarded to EXACT Therapeutics AS from Norsk Forskningsråd (The Research Council of Norway), for a research project relating to the development of Acoustic Cluster Therapy for pancreatic cancer. In 2019 EXACT Therapeutics AS received NOK 4 000 000 in grants from Norsk Forskningsråd.

In 2020 three grants have been posted to income for research projects via the SkatteFUNN scheme of NOK 3 780 120. The amounts have been posted in full as a reduction in expensed costs related to the relevant projects. In 2019 the company received NOK 3 339 703 in SkatteFUNN grants. The SkatteFUNN grant ‘A technology Platform for Localized Delivery of Medicinal Drugs’ started in 2017 and ended in 2020. The SkatteFUNN grant ‘Clinical Development of Acoustic Cluster Therapy within Oncology’ started in 2020 and will end in 2023. The SkatteFUNN project period for ‘Ultrasound Transducer for Acoustic Cluster Therapy’ is from 2020 to 2022.

The grants have not generated income as of date as the projects remain at an early stage.

NOTE 7: INVESTMENTS

	Acquisition cost	Book value	Market value
Current assets			
Bonds in a trading portfolio	19 974 748	20 498 927	20 498 927
Total market-based shares	**19 974 748**	**20 498 927**	**20 498 927**

Market-based financial instruments in the trading portfolio are valued at market value. The 2020 increase in unrealised value adjustment is NOK 393 089. Total unrealised value increase is NOK 524 179.

EXACT THERAPEUTICS PARENT COMPANY

NOTE 8: FIXED ASSETS

	Equipment and furniture
Acquisition cost as at 01.01.2020	2 431 576
Addition of purchased fixed assets	3 187 189
Acquisition cost 31.12.2020	**5 618 765**
Depreciation and write-downs as at 01.01.2020	1 144 506
Ordinary deprecation for the year	745 423
Depreciation and write-downs as at 31.12.2020	**1 889 929**
Book value 01.01.2020	1 287 070
Additions in the year	3 187 189
The year's depreciation and write-downs	745 423
Book value 31.12.2020	**3 728 836**
Economic lifetime	3- 5 years

NOTE 9: TAX

This year's tax expense	2020	2019
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax assets	0	0
Tax expense on ordinary profit/loss	**0**	**0**
Taxable income:		
Ordinary result before tax	-33 175 971	-14 981 884
Permanent differences	-7 576 147	-3 304 294
Changes in temporary differences	12 535 303	-68 145
Taxable income	**-28 216 815**	**-18 354 323**
Payable tax in the balance:		
Payable tax on this year's result	0	0
Total payable tax in the balance	**0**	**0**

	2020	2019	Difference
Tangible assets	209 891	-122 125	-332 016
Long-term receivables and liabilities in foreign currency	-5 485	0	5 485
Accruals and more	-12 861 834	0	12 861 834
Total	**-12 657 428**	**-122 125**	**12 535 303**
Shares and other securities	-524 179	0	524 179
Accumulated loss to be brought forward	-69 764 112	-41 547 297	28 216 815
Not included in the deferred tax calculation	82 945 719	0	-82 945 719
Basis for deferred tax assets	**0**	**-41 669 422**	**-41 669 422**
Deferred tax assets (22 %)	**0**	**-9 167 273**	**-9 167 273**

The tax effect of temporary differences and losses to be carried forward has formed the basis for deferred tax and deferred tax advantages.

Deferred tax not included in the balance sheet.

NOTE 10: INTER-COMPANY ITEMS BETWEEN COMPANIES IN THE SAME GROUP

	2020	2019
Receivables		
Loan to ACT Therapeutics Ltd, repayment 31.12.2024	1 732 890	0
Total	**1 732 890**	**0**
Liabilities		
Debt to supplier ACT Therapeutics Ltd	1 047 925	0
Other short-term liabilities to ACT Therapeutics Ltd	636 964	0
Total	**1 684 889**	**0**

EXACT THERAPEUTICS PARENT COMPANY

NOTE 11: SUBSIDIARIES

	Ownership interest	Acquisition cost	Book value
Fixed assets			
ACT Therapeutics Ltd	100	117 096	117 096
Sum	**100**	**117 096**	**117 096**

EXACT Therapeutics AS owns 100% of the shares in ACT Therapeutics Ltd, which gives EXACT Therapeutics AS 100% of the votes in the company. ACT Therapeutics Ltd has its registered office in Suffolk, United Kingdom. The annual result for the period 01.01-31.12.2020 was NOK 192 555. The book value of equity capital as at 31.12.2020 was NOK 302 581.

The following internal transactions have taken place in 2020:

	Amount	Book value
Purchase of R&D and administrative services from ACT Therapeutics Ltd	4 328 838	216 442
Interests on loan to ACT Therapeutics Ltd	6 445	

NOTE 12: AGIO

Agio income and loss	2020	2019
Agio	790 878	383 828
Disagio	94 399	44 913

NOTE 13: GOING CONCERN

The result for 2020 is NOK -33 175 971 after tax, compared to NOK -14 981 884 in 2019. The business remains robust with good liquidity with no indication that operations cannot continue. The Board of Directors considers that the criteria for going concern are satisfied and the business is managed on this basis. The COVID-19 pandemic has had a detrimental impact on the ongoing clinical study in the UK. It remains uncertain when the environment will return to normal.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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

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

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of EXACT Therapeutics AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of EXACT Therapeutics AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020 and the income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, statements of comprehensive income, 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 are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 May 2020.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to 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, 18 May 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Anja Maan
State Authorised Public Accountant (Norway)

EXACT Therapeutics AS
Østre Aker vei 19
0581 Oslo
Norway

EXACT-Tx.com
EXTX (Euronext Growth Market)