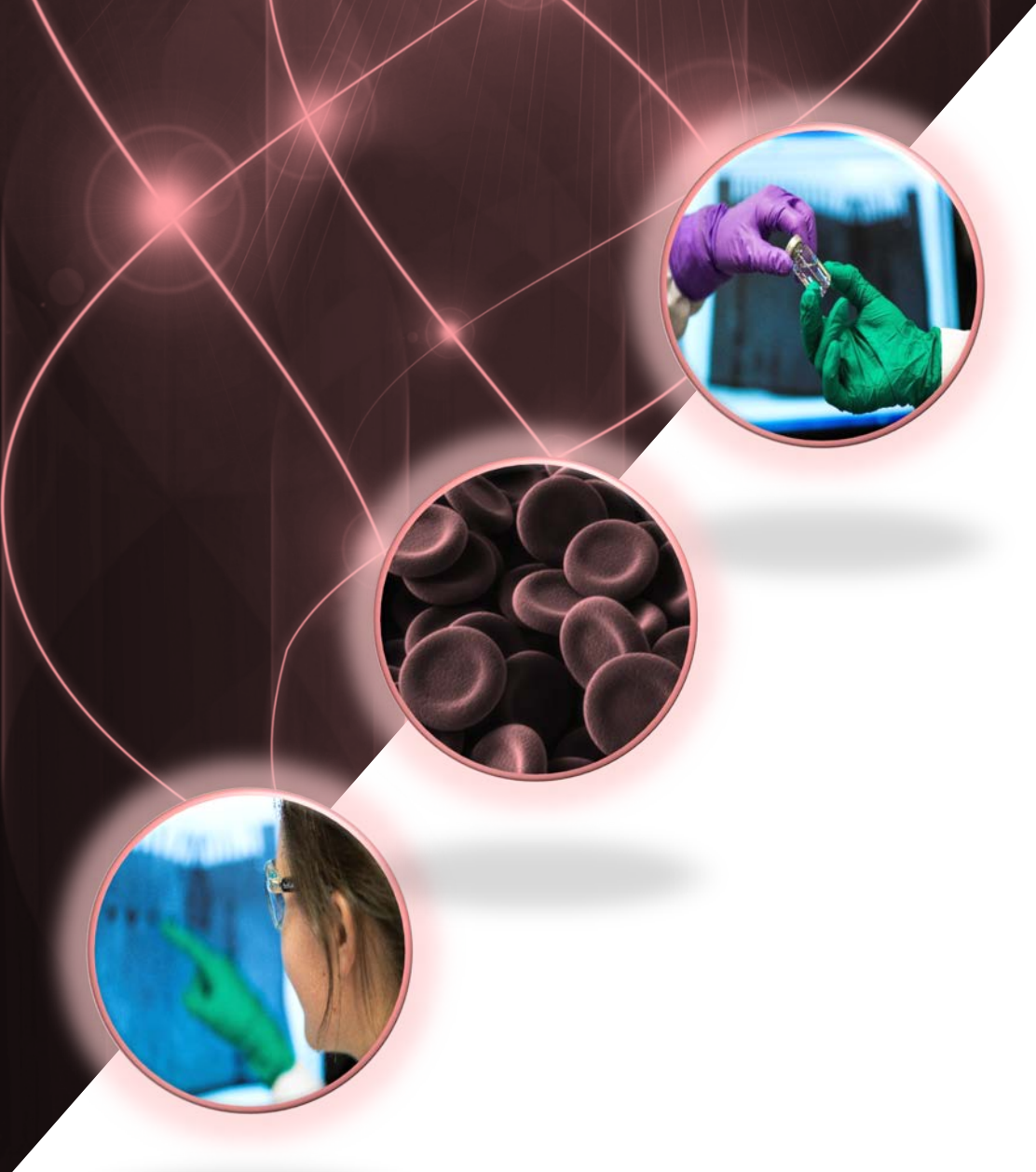




# Annual Report 2014

## Nordic Nanovector ASA

## Table of contents

|                                                                                        |    |
|----------------------------------------------------------------------------------------|----|
| Board of Directors report 2014 .....                                                   | 3  |
| Betalutin™ .....                                                                       | 3  |
| Statement pursuant to Section 5-5 of the Norwegian Securities Trading Act .....        | 13 |
| Board statement on corporate governance .....                                          | 14 |
| Consolidated statement of profit or loss and other comprehensive income .....          | 18 |
| Consolidated statement of financial position .....                                     | 19 |
| Consolidated statement of changes in equity .....                                      | 21 |
| Consolidated statement of cash flow .....                                              | 23 |
| Note 1 - General information .....                                                     | 24 |
| Note 2 - Significant accounting policies .....                                         | 24 |
| Note 3 - Standards and interpretations in issue but not yet adopted .....              | 31 |
| Note 4 - Critical accounting judgments and key sources of estimation uncertainty ..... | 32 |
| Note 5 - Segments .....                                                                | 33 |
| Note 6 - Payroll and related expenses .....                                            | 33 |
| Note 7 - Employee share option program .....                                           | 40 |
| Note 8 - Transactions with related parties .....                                       | 42 |
| Note 9 - Government grants .....                                                       | 43 |
| Note 10 - Property, plant and equipment .....                                          | 44 |
| Note 11 - Auditor's fee .....                                                          | 46 |
| Note 12 - Financial income and expense .....                                           | 46 |
| Note 13 - Income tax .....                                                             | 47 |
| Note 14 - Earnings per share .....                                                     | 47 |
| Note 15 - Financial instruments and risk management objectives and policies .....      | 48 |
| Note 16 - Cash and cash equivalents .....                                              | 50 |
| Note 17 - Other current receivables .....                                              | 50 |
| Note 18 - Share capital and shareholder information .....                              | 51 |
| Note 19 - Other current liabilities .....                                              | 52 |
| Note 20 - Information about subsidiaries .....                                         | 53 |
| Note 21 - Events after the reporting date .....                                        | 53 |
| Auditor's report .....                                                                 | 54 |

## Board of Directors report 2014

### Significant events during 2014

- In June 2014, Nordic Nanovector ASA closed a successful and oversubscribed private placement followed by a subsequent repair offering in September 2014. This secured gross proceeds of NOK 300 million at a price of NOK 25 per share.
- Nordic Nanovector ASA strengthened the management team during 2014 to prepare for its next phase and Luigi Costa was appointed as new CEO 1 September 2014.
- The clinical data from Betalutin™ phase I study was presented at the American Society of Haematology Conference in San Francisco on 7 December 2014, demonstrating that the safety profile of Betalutin™ was both predictable and manageable. The clinical data was encouraging and warranted further clinical development of Betalutin™ as a new targeted agent for the treatment of B-cell NHL.

### Background

Nordic Nanovector ASA was established in 2009 and has its main office and laboratories in Oslo, Norway. The Company aspires to become a leading provider of Antibody-Radionuclide-Conjugate ("ARC") clinical solutions, to address major unmet medical needs and to advance cancer care through its innovative therapy programs and patented technologies. The Company intends to commercialize its product candidates, and create a differentiated and specific positioning. In parallel the Company will explore potential collaboration agreements. The Company is also committed to continue developing the ARC pipeline leveraging on its proprietary nanovector targeting technology.

The Company's lead product candidate, Betalutin™, is an ARC that aims to prolong the survival and improve the quality of life of patients who suffer from non-Hodgkin Lymphoma ("NHL"). The product candidate is currently moving into phase II clinical trial for treatment of relapsed NHL.

### Market

Non-Hodgkin Lymphoma is a life-threatening blood cancer that originates in lymphocytes (white blood cells) and spreads and develops in lymph nodes and other lymphoid tissues. The incidence rate of NHL worldwide has been dramatically increasing over the past decades and NHL is today the 10<sup>th</sup> most commonly diagnosed cancer and is associated with a high mortality rate. Despite recent improvements in available therapies, there is still a high unmet medical need. The NHL market is expected to grow by 7% annually for the next four years to exceed USD 12 billion worldwide in 2018.

### Betalutin™

Betalutin™ is the first of a new generation of ARC. It consists of the tumour specific murine moAb<sup>1)</sup> HH1<sup>2)</sup> that targets the CD37 antigens on the surface of NHL cells and of a radioactive, beta-emitting isotope (Lutetium-177). The isotope is chelated to the chemical linker DOTA<sup>3)</sup> which in turn is conjugated to HH1. The short-range beta-radiation can cause cell death in both the cells that the Betalutin™ molecules have bound to and surrounding cells. The crossfire effect makes it possible to destroy malignant cells in the vicinity that

cannot be reached by antibodies. The Company believes that Betalutin™ can be effective in second- and third line setting for both Follicular Lymphoma (FL) and Diffuse Large B-cell Lymphoma (DLBCL) patients. The initial target indication for Betalutin™ is third-line treatment of FL. The reason for focusing on the third line is multi-fold: (i) the unmet medical need is greatest in third line, as there is currently no standard of care, (ii) the likelihood to document the value of the product to payers, is higher than in earlier lines of therapy, (iii) the path to regulatory approval will be shortest for a third line indication and (iv) the chance to establish the product as number one in a specific segment, through a focused positioning, will ensure visibility and facilitate adoption despite a highly competitive and fragmented market. The Company sees a longer term potential in the second-line treatment of patients with FL and DLBCL, both eligible and ineligible to autologous stem cell transplantation (ASCT). *See footnotes below.*

---

<sup>1)</sup> moAb or mAb = monospecific antibodies that each are identical because they are made by one type of immune cell that are all clones of a unique parent cell. Given almost any substance, it is possible to create monoclonal antibodies that specifically bind to it.

<sup>2)</sup> HH1 = anti-CD37 antibody

<sup>3)</sup> DOTA = a molecule that is able to bind the amino acid lysine on antibodies in one physical part of the molecule and in another physical part of the molecule it can chelate metal ions like Lutetium-177.

## Operational review

In 2014, Nordic Nanovector built a solid capital base by closing a successful private placement and a subsequent repurchase issue with total gross proceeds amounting to NOK 300 million. The shares of Nordic Nanovector have been traded on the NOTC (Norwegian Over the Counter Market) since July 2014 and the shareholder base has increased from 239 shareholders as of 31 December 2013 to 535 shareholders as of 31 December 2014. At an Extraordinary General meeting in November 2014, the Company was converted into a Norwegian public limited company (from AS to ASA). The conversion to a public limited company was a step in the process of preparing the Company for a listing on Oslo Stock Exchange.

In the beginning of 2014, Betalutin™ was granted patent both in the USA and Europe. The issued patent claims cover the Company's proprietary ARC technology including the Company's lead product candidate Betalutin™. The Company has a "composition of matter" patent on the complete antibody-chelator-radionuclide complex. The expiry date for the patent is 2031 with possible extension for up to six years after initial patent term. The patent is also granted in Norway, Hong Kong, South Africa, Japan, New Zealand, Mexico and China and has been approved for grant in Singapore.

The Company's lead product candidate Betalutin™ was granted orphan-drug designation for treatment of Follicular Lymphoma in the USA and Europe in May and June 2014 respectively.

The clinical data from Betalutin™ phase I study was presented at the American Society of Haematology Conference in San Francisco in December 2014. The study demonstrated that the safety profile of Betalutin™ was both predictable and manageable. The clinical data showed an overall tumour response of 64% and a complete response of 36%. This is encouraging and warrants further clinical development of Betalutin™ as a new targeted agent for the treatment of B-cell NHL.

Nordic Nanovector ASA strengthened its management team by appointing Mr. Luigi Costa as new CEO of the Company as of 1 September 2014. Effective 3 November 2014, the Company appointed two new executive officers: Cristina Oliva, MD as Chief Medical Officer and Marco Renoldi, MD as Chief Business Officer. The executives will play pivotal roles as the Company continues to explore different avenues to leverage its proprietary targeting technology for optimal long-term value creation.

## Financial review

### Accounting policies

The consolidated financial statements of Nordic Nanovector ASA and its subsidiary (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU on 31 December 2014.

Nordic Nanovector ASA had no subsidiaries in 2013. Comparable numbers for 2013 are therefore the same for Nordic Nanovector ASA and the Group.

### Operating revenues

Total operating revenues for 2014 amounted to NOK 0.4 million compared to NOK 0.3 million in 2013. Revenues related to incubator services and sublease of office and laboratory.

### Operating expenses

Net operating expenses increased from NOK 18.4 million in 2013 to NOK 69.1 million and NOK 68.2 million in 2014 for the Group and Nordic Nanovector ASA, respectively. The cost increase was driven by employment of 10 new employees during 2014 and acceleration of the development program. Operating loss for the Group amounted to NOK 68.7 million and NOK 67.7 million in 2014 for Nordic Nanovector ASA compared to NOK 18.1 million in 2013.

### Research and development cost

The process of developing a drug product candidate is often divided into several phases, each used to describe the different aspects of the drug product candidate. The different phases are: the discovery phase, the preclinical development phase and the clinical research phase. Betalutin™, the first product candidate of Nordic Nanovector ASA is currently moving into phase II of the clinical research phase. Expenditure on research activities was recognized as an expense in the period in which it was incurred. Uncertainties related to the regulatory approval process and results from ongoing clinical trials generally indicate that the criteria for capitalization of R&D cost are not met until market authorization is obtained from relevant regulatory authorities. The Company has currently no development expenditure that qualifies for recognition as an asset under IAS 38. Expenses for research and development for the financial year 2014 were NOK 42.5 million, whereas NOK 31.1 million were classified as other operating expenses and NOK 11.4 million were classified as payroll. In 2013 the research and development costs were NOK 17.7 million, whereas NOK 12.8 million and NOK 4.9 million were classified as other operating expenses and payroll respectively.

### Net financial items

Net financial items for the Group and Nordic Nanovector ASA amounted to NOK 5.0 million for 2014 compared to NOK 1.1 million for 2013. The increase was related to interests from ordinary bank deposits after raising NOK 300 million in a private placement in June 2014 and in the subsequent repair issue.

### Performance

Total comprehensive loss for the year attributable to owners of Nordic Nanovector ASA and the Group was NOK - 62.7 million and NOK - 63.8 million respectively for 2014 compared to NOK -17.0 million for 2013. Ordinary earnings per share for the Group amounted to NOK -3.54 and NOK -3.49 in 2014 for Nordic Nanovector ASA compared to NOK -1.92 in 2013.

## Financial position and cash flow

Property, plant and equipment increased from NOK 0.3 million end of 2013 to NOK 1.6 million end of 2014, reflecting investment in infrastructure, lab equipment, IT hardware/software and depreciation of NOK 0.3 million.

Cash and cash equivalents were NOK 337 million for the Group, and NOK 336 million end of 2014 for Nordic Nanovector ASA compared to NOK 79.6 million end of 2013. The increase reflected the successful private placement and the subsequent repair issue with total gross proceeds amounting to NOK 300 million. HealthCap VI L.P. paid in September 2014, NOK 25 million for 1,666,666 shares as agreed regarding the second tranche investment, committed in 2013.

Total liabilities for the Group were NOK 15.5 million, and NOK 14.8 million for Nordic Nanovector ASA in 2014 compared to NOK 7.2 million end of 2013.

Shareholders' equity for the Group was NOK 330.2 million end of 2014, with an equity ratio of 95.5%, and for Nordic Nanovector ASA the shareholders' equity was NOK 329.8 million end of 2014, with an equity ratio of 95.7% compared to NOK 78.8 million in 2013 (equity ratio of 91.5%).

The total cash flow from operating activities for the Group was NOK -58.2 million in 2014, and NOK -59.0 million for ASA, compared to NOK -14.2 million in 2013. Total cash flow from investing activities for the Group was NOK 2.8 million in 2014 and NOK 2.6 million in ASA, compared to NOK 0.3 million in 2013, mainly due to interests received for bank deposits. Total cash flow from financing activities for the Group and ASA was net NOK 312.9 million end 2014 compared to NOK 87.4 million in 2013.

Deferred tax assets were not recognized in the statement of financial position as Nordic Nanovector ASA is in a development phase and is currently generating losses.

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 §3-3 (a), the Board of Directors confirmed that the financial statements have been prepared under the assumption of going concern.

## Allocation of the 2014 result

Nordic Nanovector ASA's annual result amounted to a loss of NOK -62.8 million. The Board of Directors proposed that the loss is transferred to accumulated losses.

## **Financial risks**

### **Interest rate risk**

Nordic Nanovector ASA has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which affects the financial income and the return on cash. Nordic Nanovector ASA and the Group had NOK 5 million in financial income in 2014.

### **Exchange rate risk**

The value of non-Norwegian currency denominated revenues and 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 research and clinical trial expenses. The Group is mainly exposed to fluctuations in euro (EUR), pounds sterling (GBP), US dollar (USD) and Swiss franc (CHF). See note 15 for sensitivity related to foreign exchange fluctuations. Nordic Nanovector ASA's cash reserves are deposited in NOK and CHF.

### **Credit risk**

The Company has only revenues from incubator services with related parties. Nordic Nanovector ASA has not suffered any loss on receivables during 2014. The Company considers its credit risk as low.

### **Liquidity risk**

The Company monitors its cash flow from both long- and short-term perspectives through planning and reporting. Nordic Nanovector ASA or the Group does not have any loan agreements that involve covenants or other financial requirements. The Company raised NOK 300 million in a private placement in June 2014 and a subsequent repair issue in September 2014. The available cash should support execution of main R&D and pre-commercialization strategy until end of 2016.

The cash position of Nordic Nanovector ASA at year-end 2014 was NOK 337 million, compared to NOK 79.6 million in 2013.

## **Non-financial risks**

### **Technology risk**

The Company's lead product candidate Betalutin™ is currently moving into phase II clinical trial for treatment of relapsed non-Hodgkin Lymphoma. This is in an early stage of development and the Company's clinical studies may not prove to be successful.

### **Competitive technology**

The Company operates in a highly competitive industry with many large players and subject to rapid and substantial technological change.

## Market risks

The financial success of the Company requires obtaining acceptable price and reimbursement. There can be no guarantee that the Company's drugs will obtain the selling prices or reimbursement levels foreseen by the Company.

The Company will need approvals from the US Food and Drug Administration (FDA) to market its products in the US, and from the European Medicines Agency (EMA) to market its products in Europe, as well as equivalent regulatory authorities in other foreign jurisdictions to commercialize in those regions. The Company's future earnings are likely to be largely dependent on the timely approval of Betalutin™ for various indications.

See note 15 for further information.

## Personnel and organization

On 1 September 2014, Luigi Costa replaced Jan A. Alfheim as the Chief Executive Officer of Nordic Nanovector ASA. The Group's senior management team at year-end consists of Luigi Costa, Chief Executive Officer; Jan A. Alfheim, Chief Operations Officer; Jostein Dahle, Chief Scientific Officer; Anniken Hagen, Chief Quality Officer; Tone Kvåle, Chief Financial Officer; Cristina Oliva, Chief Medical Officer and Marco Renoldi, Chief Business Officer.

Nordic Nanovector ASA is a public limited company incorporated and domiciled in Norway. The Company is the parent Company in the Group. The Group's operations are carried out by the Company and its wholly-owned subsidiaries Nordic Nanovector GmbH and Nordic Nanovector Ltd. Nordic Nanovector GmbH is incorporated in Zug, Switzerland, with its registered address at Dammstrasse 19, Zug, Switzerland. Nordic Nanovector Ltd is incorporated in London, England, with its registered address at 42 New Broad Street, London, EC2M 1JD United Kingdom.

The Company rents premises in Oslo for its head office and laboratory purposes under two rental agreements (one for 1,075 square meters and one for 350 square meters). The rental agreement for the 1,075 square meters expires on 31 December 2019 and 350 square meters expires on 31 December 2015. Nordic Nanovector GmbH rents office in Zug, Switzerland (26 square meters) and the rental agreement expires 30 September 2015. Nordic Nanovector Ltd has not established premises as of 31 December 2014.

## Health, safety and environment (HSE)

At the end of 2014, the Company employed 20 people, of which one is part time employed. This is an increase of 11 employees compared to the end of 2013. The working environment in the Company is considered to be good. No accidents or injuries were registered in 2014. Absence due to illness in Nordic Nanovector ASA totaled 63 working days in 2014, which corresponds to 2.02% of total working days compared to 2.12% (37 working days) in 2013.

Nordic Nanovector aims to be a workplace with equal opportunities for women and men in all areas. The Company has traditionally recruited from environments where the number of women and men is relatively equally represented. In terms of gender equality within the Company, 40% of Board members are women, as are 43% of the senior management team.

Nordic Nanovector promotes a productive working environment and does not tolerate disrespectful behaviour. Nordic Nanovector is an equal opportunity employer. Discrimination in hiring, compensation, training, promotion, termination or retirement based on ethnic and national origin, religion, sex or other distinguishing characteristics is never acceptable. Nordic Nanovector will not use force of any form or involuntary labour or employ any persons below the legal minimum age. Nordic Nanovector shall strive to achieve a vision of zero harm to people, the environment and society, and work purposefully and systematically to reduce the environmental impact. The Group's services shall always be subject to strict requirements in terms of quality, safety and impacts on personal health and the environment.

## External environment

The Company does not pollute the external environment to a greater extent than is normal for this industry. All production and distribution is outsourced.

## Statement of corporate social responsibility – Nordic Nanovector's Code of Conduct

Nordic Nanovector's business is based on trust. For the confidence of its customers, employees, shareholders and other stakeholders, ethics and values have to play a prominent role in all operations. Nordic Nanovector is committed to operating in accordance with responsible, ethical and sound corporate and business principles and will strive to be in compliance with all applicable laws and public regulations. This requires the collective effort of all employees in the Group.

This Code of conduct applies to all Nordic Nanovector employees and Board members in entities owned by Nordic Nanovector. By agreement it may also apply to independent consultants, intermediaries or others acting on behalf of Nordic Nanovector. The Board of Directors reviews the policy and guidelines yearly. In accordance with Section 3-3c of the Norwegian Accounting Act, a statement on corporate social responsibility has been prepared. See Company's web page [www.nordicnanovector.com](http://www.nordicnanovector.com).

## Board statement on corporate governance

Nordic Nanovector ASA (the "Company") 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 the Company ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations. Nordic Nanovector's Board of Directors actively adheres to good corporate governance standards and will at all times ensure that Nordic Nanovector complies with "The Norwegian Code of Practice for Corporate Governance" (the "Code") most recently revised 30 October 2014 issued by the Norwegian Corporate Governance Policy Board (NCGB), or explain possible deviations from the Code. The Code can be found at [www.nues.no](http://www.nues.no). Nordic Nanovector has governance documents setting out principles for how business should be conducted, and these also apply to Nordic Nanovector's subsidiaries. The Code covers 15 topics, and this statement covers each of these topics and states Nordic Nanovector's adherence to the Code. Information concerning corporate governance pursuant to section 3-3 b of the Norwegian Accounting Standard Act is included on page 13.

## **Board of Directors of Nordic Nanovector ASA**

The composition of the Board of Directors has changed since the end of 2013 when the Board consisted of the following members:

Roy H. Larsen (chair), Jonas Einarsson, Vidar Hansson, Alexandra Morris, Bjørn Odlander, Theresa Comiskey Olsen, Bente-Lill Romøren, Ludvik Sandnes and Olav Steinnes. Vidar Hansson resigned from the Board in July 2014, and the following members were elected to the new Board at the Extraordinary General Meeting 12 November 2014: Ludvik Sandnes (Chair), Roy H. Larsen, Alexandra Morris, Per Samuelsson and Hilde H. Steineger.

Ludvik Sandnes (chair), Roy H. Larsen, Alexandra Morris and Hilde H. Steineger are independent of the Company's executive personnel, material business and the Company's major shareholder. Roy H. Larsen has served since July 2009, Ludvik Sandnes and Alexandra Morris have served since June 2013 and Hilde H. Steineger and Per Samuelsson have served since November 2014. The CVs of the Board members are presented on the Company's website.

The Board of Directors held eight ordinary Board meetings and six extraordinary Board meetings during the fiscal year 2014.

The Board of Directors has established an audit committee consisting of Hilde H. Steineger (Chair), Ludvik Sandnes and Per Samuelsson, and a remuneration committee consisting of Per Samuelsson (Chair), Ludvik Sandnes and Hilde H. Steineger.

## **Events after 31 December 2014**

On 7 January 2015, certain allocation of share options to management and employees were made. See note 6 and 7.

29 January 2015, the Board of Directors of Nordic Nanovector ASA has submitted an application for listing of its shares on the Oslo Stock Exchange. The completion of the initial public offering (the "IPO") will be subject to receiving the relevant approvals from the Oslo Stock Exchange, as well as the prevailing equity capital market conditions. Pre-marketing of the IPO is expected to commence during the first quarter of 2015.

## Strategy and Outlook

Nordic Nanovector is a biotech company, which is committed to develop, manufacture and deliver to patients innovative, cost-effective, targeted ARC, in an effort to address major unmet medical needs and advance cancer care. The Company aspires to become a leader in the delivery of ARC therapies for treatment of haematological cancers. The strategy to realize this aspiration is three-pronged:

- 1) Allocate most of the Company's 2015-2017 resources to the lead asset Betalutin™ to accelerate its clinical development in NHL, with the aim to obtain a first regulatory approval in 3rd line Follicular Lymphoma by the mid of 2018, and in parallel run studies in 2nd line FL and DLBCL;
- 2) Design a Betalutin™ development plan so as to deliver a differentiated product profile, that meets the requirements of both regulatory and reimbursement agencies and in addition stands out in a crowded competitive market; and
- 3) Leverage the Company's proprietary nanovector technology to target challenging haematological cancers such as NHL, multiple myeloma, and other B cell malignancies, (i.e. clinical conditions where the unmet medical need is high), through smart, efficient investments in discovery research.

The focus of the Company in 2015 and beyond will be on the Betalutin™ clinical development program, with an aim to obtain a first regulatory approval in 3<sup>rd</sup> line Follicular Lymphoma. In parallel to the development plan execution, the strategic priorities for Nordic Nanovector for 2015 include the development of a Betalutin™ commercial scale manufacturing process, the optimization of the Betalutin™ positioning and messaging platform, and the expansion of the R&D pipeline.

Oslo, 23 February 2015

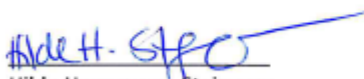
**The Board of Directors and the Chief Executive Officer of Nordic Nanovector ASA**



Ludvik Sandnes  
Chairman of the Board



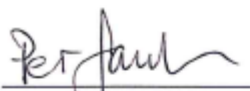
Alexandra Morris



Hilde Hermansen Steineger



Roy Hartvig Larsen



Per Samuelsson



Luigi Costa  
Chief Executive Officer

## Statement pursuant to Section 5-5 of the Norwegian Securities Trading Act

We confirm, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December 2014 have been prepared in accordance with IFRS as adopted by the European Union and generally accepted accounting practice in Norway, and give a true and fair view of the assets, liabilities and financial position and result of Nordic Nanovector ASA and the Nordic Nanovector Group.

We also confirm, to the best of our knowledge, that the Board of Directors' report includes a true and fair overview of the development, performance and financial position of Nordic Nanovector ASA and the Nordic Nanovector Group, together with a description of the principal risks and uncertainties they face.

Oslo, 23 February 2015

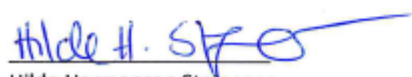
**The Board of Directors and the Chief Executive Officer of Nordic Nanovector ASA**



Ludvik Sandnes  
Chairman of the Board



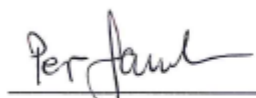
Alexandra Morris



Hilde Hermansen Steineger



Roy Hartvig Larsen



Per Samuelsson



Luigi Costa  
Chief Executive Officer

## Board statement on corporate governance

Nordic Nanovector ASA (the "Company") 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 the Company ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations. Nordic Nanovector's Board of Directors actively adheres to good corporate governance standards and will at all times ensure that Nordic Nanovector complies with "The Norwegian Code of Practice for Corporate Governance" (the "Code") most recently revised 30 October 2014 issued by the Norwegian Corporate Governance Policy Board (NCGB), or explain possible deviations from the Code. The Code can be found at [www.nues.no](http://www.nues.no). Nordic Nanovector has governance documents setting out principles for how business should be conducted, and these also apply to Nordic Nanovector's subsidiaries. The Code covers 15 topics, and this statement covers each of these topics and states Nordic Nanovector's adherence to the Code. Information concerning corporate governance pursuant to section 3-3 b of the Norwegian Accounting Standard Act is included in section below.

### 1. Implementation and reporting on corporate governance

A Corporate Governance Policy was adopted by the Board of Directors on 27 January 2015 for and on behalf of the Company and is, in all material respects based on the Code, to which the Board has resolved that the Company shall adhere. The Board of Directors will ensure that the Company at all times has sound corporate governance. An overall review of the Company's corporate governance is included in the Company's annual report to the shareholders.

*Deviations from the Code: None*

### 2. Business

Nordic Nanovector ASA's business is defined in the Company's articles of association and the strategies and primary objectives are included in the annual report.

*Deviations from the Code: None*

### 3. Equity and dividends

The Company shall have an equity capital that is suitable for its objectives, strategy and risk profile. The Board has a clear and predictable dividend policy which is disclosed in the Company's annual report. The mandates to the Board to increase Nordic Nanovector's share capital and to purchase own shares is tied to defined purposes, and limited in time no later than the date of the next Annual General Meeting.

*Deviations from the Code: None*

### 4. Equal treatment of shareholders and transaction with close associates

Nordic Nanovector ASA 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. The nominal value of each share is NOK 0.2. If the Board resolves to carry out a share issue without pre-emption rights for existing shareholders, then the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the share issue.

The Board will arrange for a valuation to be obtained from an independent third party, in the event of a not immaterial transaction between the Company and its shareholders, a shareholder's parent company, members of the Board, executive management or closely-related parties of any such parties.

Members of the Board and executive management are obliged to notify the Board if they have a significant, direct or indirect, interest in any transaction carried out by the Company other than by virtue of their position within the Company. The Board of Directors will report in the annual report any transactions with related parties.

*Deviations from the Code: None*

## 5. Freely negotiable shares

All shares are freely negotiable with no form of restriction on negotiability.

*Deviations from the Code: None*

## 6. General Meeting

The Board shall take reasonable steps to ensure that as many shareholders as possible can exercise their voting rights in the Company's General Meetings, and that the General Meetings are an effective forum for the views of shareholders and the Board. The chairman of the Board of Directors, the CEO and CFO are present at the Annual General Meetings, along with the Nomination Committee and the Company auditor. Shareholders who are unable to participate themselves may vote by proxy, and a person can also be appointed to vote for the shareholders as a proxy. Notice of the meeting and relevant documents, including the proposal of the Nomination Committee, are made available on the Company website three weeks in advance of the General Meeting. Notice of the General Meeting is sent to all shareholders individually, or to their depository banks, three weeks in advance of the General Meeting. The notice of the General Meeting includes information regarding shareholders' rights, guidelines for registering and voting at the General Meeting. The Company provides information on the procedure for representation at the General Meeting through proxy, nominates a person to vote on behalf of the shareholders, and to the extent possible prepare a form which allows separate voting instructions for each matter.

*Deviations from the Code: None*

## 7. Nomination committee

The Nomination Committee shall consist of three members. The General Meeting elects the members of the Nomination Committee and its chair. The majority of the members shall be independent of the Board of Directors and the management. The Extraordinary General Meeting, 12 November 2014, elected Johan Christenson (chair), Ole Peter Nordby and Olav Steinnes as members of the Nomination Committee. The Nomination Committee's duties, if appointed, include proposing candidates for election to the Board and the Nomination Committee and proposing fees to be paid to such members.

*Deviations from the Code: None*

## 8. Composition and independence of the Board

The composition of the Board shall ensure that it can act independently of any special interests. The Board was elected at the Extraordinary General Meeting 12 November 2014 and consists of; Ludvik Sandnes (chair), Roy H. Larsen, Alexandra Morris, Per Samuelsson and Hilde H. Steineger. Ludvik Sandnes (chair), Roy H. Larsen, Alexandra Morris and Hilde H. Steineger are independent of the Company's executive personnel, material business and the Company's major shareholder(s). The Board was elected for the period until Annual General Meeting in 2015. The CVs of the Board members are presented on the Company's website.

*Deviations from the Code: None*

## 9. The work of the Board of Directors

The Board prepares an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Board evaluates annually its performance and expertise in the previous year. The Board of Directors has established an Audit Committee consisting of Hilde H. Steineger (Chair), Ludvik Sandnes and Per Samuelsson for the thorough and independent handling of questions concerning accounting, audit and finance. The Board of Directors has established a remuneration committee consisting of Per Samuelsson (Chair), Ludvik Sandnes and Hilde H. Steineger which is a preparatory and advisory committee for the Board in questions relating to the Company's remuneration of the executive management. The Board has also established instructions for the committees and the CEO.

*Deviations from the Code: None*

## 10. Risk management and internal control

It is the responsibility of the Board to ensure that the Company has sound internal controls in place and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The Board conducts an annual review of the Company's most important areas of exposure to risk, such as internal control arrangements. Board meetings are held frequently, and management reports are distributed to the Board on a monthly basis. Financial performance is reported on a quarterly basis.

*Deviations from the Code: None*

## 11. Remuneration of the Board of Directors

The remuneration of the Board is proposed by the Nomination Committee and decided by the shareholders at the Annual General Meeting of the Company. The level of remuneration of the Board reflects the responsibility of the Board, its expertise and the level of activity in both the Board and any Board committees.

The Company has not granted share options to members of the Board. If Board members, or companies associated with Board members, take on specific assignments for the Company in addition to their appointments as members of the Board; this will be reported to the Board and the Board will approve the remuneration for such additional duties.

*Deviations from the Code: None*

## 12. Remuneration of executive personnel

The Board has established guidelines for the remuneration of the executive personnel. These guidelines are communicated to the Annual General Meeting. The performance-related remuneration of the executive personnel, such as share option grants and bonus programmes, are linked to value creation for shareholders.

*Deviations from the Code: None*

## 13. Information and communications

Nordic Nanovector ASA will provide timely and precise information about the Company and its operations to its shareholders, the Oslo Stock Exchange and the financial markets in general (through the Oslo Stock Exchange's information system). Such information will be given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations. The Company has published an annual, electronic finance calendar with an overview of the dates for important events, such as the Annual General Meetings and publishing of interim reports. Nordic Nanovector ASA complies with "the Oslo Børs Code of Practice for IR" as of 10 June 2014.

*Deviations from the Code: None*

## 14. Company take-overs

The Board of Directors has established guiding principles for how it will act in the event of a take-over offer. The Board of Directors will not attempt to influence, hinder or complicate the submission of bids for the acquisition of the Company's operations or shares, or prevent the execution thereof. The Board of Directors will help ensure that shareholders are treated equally. If a take-over offer is made, the Board of Directors will obtain a valuation from an independent expert and issue a recommendation as to whether shareholders should accept the offer.

*Deviations from the Code: None*

## 15. Auditor

On an annual basis, the auditor presents to the Audit Committee the main features of the plan for the performance of the audit work. The auditor also participates in meetings of the Board of Directors that deal with the annual financial statements and, at least once a year, carries out a review of the Company's procedures for internal control in collaboration with the audit committee. In addition, the external auditor meets with the Board of Directors, without management being present, at least once per year.

*Deviations from the Code: None*

## Consolidated statement of profit or loss and other comprehensive income

| For the year ended 31 December |                    |                                                                                                                         |                 |                    |                    |
|--------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------|--------------------|
| (Amounts in NOK)               |                    |                                                                                                                         |                 |                    |                    |
| ASA                            |                    |                                                                                                                         |                 | GROUP              |                    |
| 2013                           | 2014               |                                                                                                                         | Note            | 2014               | 2013               |
| 306 061                        | 439 455            | Revenues                                                                                                                | 8               | 439 455            | 306 061            |
| <b>306 061</b>                 | <b>439 455</b>     | <b>Total operating revenue</b>                                                                                          |                 | <b>439 455</b>     | <b>306 061</b>     |
| 5 247 252                      | 13 690 093         | Payroll and related expenses                                                                                            | 6, 7, 9         | 19 655 959         | 5 247 252          |
| 236 788                        | 345 395            | Depreciation                                                                                                            | 10              | 345 395            | 236 788            |
| 12 933 131                     | 54 159 445         | Other operating expenses                                                                                                | 6, 8, 9, 11, 15 | 49 107 701         | 12 933 131         |
| <b>18 417 171</b>              | <b>68 194 933</b>  | <b>Total operating expenses</b>                                                                                         |                 | <b>69 109 055</b>  | <b>18 417 170</b>  |
| <b>-18 111 110</b>             | <b>-67 755 478</b> | <b>Operating profit (loss)</b>                                                                                          |                 | <b>-68 669 600</b> | <b>-18 111 110</b> |
|                                |                    | <b>Finance income and finance expenses</b>                                                                              |                 |                    |                    |
| 1 206 884                      | 4 996 280          | Financial income                                                                                                        | 12, 15          | 5 042 897          | 1 206 884          |
| 106 711                        | 132                | Financial expenses                                                                                                      | 12, 15          | 2 208              | 106 711            |
| <b>1 100 173</b>               | <b>4 996 148</b>   | <b>Financial items, net</b>                                                                                             |                 | <b>5 040 689</b>   | <b>1 100 173</b>   |
| <b>-17 010 937</b>             | <b>-62 759 330</b> | <b>Loss before income tax</b>                                                                                           |                 | <b>-63 628 911</b> | <b>-17 010 937</b> |
| 0                              | 0                  | Income tax                                                                                                              | 13              | -43 969            | 0                  |
| <b>-17 010 937</b>             | <b>-62 759 330</b> | <b>Loss for the year</b>                                                                                                |                 | <b>-63 672 880</b> | <b>-17 010 937</b> |
|                                |                    | <b>Other comprehensive income (loss), net of income tax to be reclassified to profit and loss in subsequent periods</b> |                 |                    |                    |
| 0                              | 0                  | Translation effects                                                                                                     |                 | -163 725           | 0                  |
| <b>-17 010 937</b>             | <b>-62 759 330</b> | <b>Total comprehensive income (loss) for the year</b>                                                                   |                 | <b>-63 836 605</b> | <b>-17 010 937</b> |
| -17 010 937                    | -62 759 330        | Loss for the year attributable to owners of the parent                                                                  |                 | -63 672 880        | -17 010 937        |
| <b>-17 010 937</b>             | <b>-62 759 330</b> | <b>Total comprehensive income (loss) for the year attributable to owners of the parent</b>                              |                 | <b>-63 836 605</b> | <b>-17 010 937</b> |
|                                |                    | <b>Earnings (loss) per share</b>                                                                                        |                 |                    |                    |
| -1.92                          | -3.49              | Basic and diluted earnings (loss) per share                                                                             | 14              | -3.54              | -1.92              |

The accompanying notes are an integral part of these financial statements.

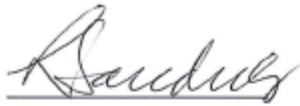
## Consolidated statement of financial position

| As at 31 December |                    |                                             |              |                    |                   |
|-------------------|--------------------|---------------------------------------------|--------------|--------------------|-------------------|
| (Amounts in NOK)  |                    |                                             |              |                    |                   |
| ASA               |                    |                                             | GROUP        |                    |                   |
| 2013              | 2014               |                                             | Note         | 2014               | 2013              |
|                   |                    | <b>ASSETS</b>                               |              |                    |                   |
|                   |                    | <b>Non-current assets</b>                   |              |                    |                   |
| 335 949           | 1 572 996          | Property, plant and equipment               | 5, 10        | 1 572 996          | 335 949           |
| 0                 | 136 936            | Shares in subsidiaries                      | 5, 20        | 0                  | 0                 |
| 44 800            | 44 800             | Other non-current receivables               | 5            | 44 800             | 44 800            |
| <b>380 749</b>    | <b>1 754 732</b>   | <b>Total non-current assets</b>             |              | <b>1 617 796</b>   | <b>380 749</b>    |
|                   |                    | <b>Current assets</b>                       |              |                    |                   |
|                   |                    | <b>Receivables</b>                          |              |                    |                   |
| 6 072 958         | 6 841 276          | Other current receivables                   | 8, 9, 15, 17 | 7 075 966          | 6 072 958         |
| <b>6 072 958</b>  | <b>6 841 276</b>   | <b>Total current receivables</b>            |              | <b>7 075 966</b>   | <b>6 072 958</b>  |
| <b>79 569 002</b> | <b>336 047 423</b> | <b>Cash and cash equivalents</b>            | 12, 15, 16   | <b>337 018 177</b> | <b>79 569 002</b> |
| <b>85 641 960</b> | <b>342 888 699</b> | <b>Total current assets</b>                 |              | <b>344 094 143</b> | <b>85 641 960</b> |
| <b>86 022 709</b> | <b>344 643 431</b> | <b>TOTAL ASSETS</b>                         |              | <b>345 711 939</b> | <b>86 022 709</b> |
|                   |                    | <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> |              |                    |                   |
|                   |                    | <b>Shareholders' equity</b>                 |              |                    |                   |
| 2 214 942         | 5 310 058          | Share capital                               | 18           | 5 310 058          | 2 214 942         |
| 91 952 684        | 426 338 822        | Share premium                               |              | 426 338 822        | 91 952 684        |
| 25 981 837        | 2 329 504          | Other paid in capital                       | 6,7          | 3 762 642          | 25 981 837        |
| -41 364 171       | -104 123 503       | Accumulated losses                          |              | -105 200 776       | -41 364 171       |
| <b>78 785 292</b> | <b>329 854 881</b> | <b>Total shareholders' equity</b>           |              | <b>330 210 746</b> | <b>78 785 292</b> |
|                   |                    | <b>Liabilities</b>                          |              |                    |                   |
|                   |                    | <b>Current liabilities</b>                  |              |                    |                   |
| 4 499 213         | 6 029 080          | Accounts payable                            | 8, 15        | 6 230 440          | 4 499 213         |
| 0                 | 587 810            | Current liabilities to Group companies      |              | 0                  | 0                 |
| 0                 | 0                  | Tax payable                                 | 13           | 44 300             | 0                 |
| 2 738 204         | 8 171 660          | Other current liabilities                   | 19           | 9 226 453          | 2 738 204         |
| <b>7 237 417</b>  | <b>14 788 550</b>  | <b>Total current liabilities</b>            |              | <b>15 501 193</b>  | <b>7 237 417</b>  |
| <b>7 237 417</b>  | <b>14 788 550</b>  | <b>Total liabilities</b>                    |              | <b>15 501 193</b>  | <b>7 237 417</b>  |
| <b>86 022 709</b> | <b>344 643 431</b> | <b>TOTAL EQUITY AND LIABILITIES</b>         |              | <b>345 711 939</b> | <b>86 022 709</b> |

The accompanying notes are an integral part of these financial statements.

Oslo, 23 February 2015

**The Board of Directors of Nordic Nanovector ASA**



Ludvik Sandnes  
Chairman of the Board



Alexandra Morris



Hilde Hermansen Steineger



Roy Hartvig Larsen



Per Samuelsson



Luigi Costa  
Chief Executive Officer

## Consolidated statement of changes in equity

| GROUP                                                             |      |                  |                    |                         |                                     |                     |                     |                    |
|-------------------------------------------------------------------|------|------------------|--------------------|-------------------------|-------------------------------------|---------------------|---------------------|--------------------|
| For the year ended 31 December<br>(Amounts in NOK)                |      |                  |                    |                         |                                     |                     |                     |                    |
|                                                                   | Note | Share capital    | Share premium      | Convertible instruments | Equity-settled share-based payments | Accumulated losses  | Translation effects | Total equity       |
| <b>Balance at 1 January 2013</b>                                  |      | <b>1 277 268</b> | <b>30 058 814</b>  | <b>0</b>                | <b>698 283</b>                      | <b>-24 353 234</b>  | <b>0</b>            | <b>7 681 131</b>   |
| Loss for the year                                                 |      |                  |                    |                         |                                     | -17 010 937         |                     | -17 010 937        |
| Other comprehensive income (loss) for the year, net of income tax |      |                  |                    |                         |                                     |                     |                     | 0                  |
| <b>Total comprehensive income for the year</b>                    |      |                  |                    |                         |                                     | <b>-17 010 937</b>  |                     | <b>-17 010 937</b> |
| Convertible instruments                                           | 18   |                  |                    | 25 000 000              |                                     |                     |                     | 25 000 000         |
| Conversion of convertible loan                                    |      | 60 225           | 4 046 076          |                         |                                     |                     |                     | 4 106 301          |
| Recognition of share-based payments                               | 7    |                  |                    |                         | 99 579                              |                     |                     | 99 579             |
| Remuneration to the BoD                                           | 6    |                  |                    |                         | 592 000                             |                     |                     | 592 000            |
| Issue of ordinary shares - capitalization issue                   | 18   | 863 116          | 59 989 668         |                         |                                     |                     |                     | 60 852 784         |
| Issue of ordinary shares under share options                      | 18   | 14 333           | 459 417            |                         |                                     |                     |                     | 473 750            |
| Share issue costs                                                 |      |                  | -2 601 291         | -408 025                |                                     |                     |                     | -3 009 316         |
| <b>Balance at 31 December 2013</b>                                |      | <b>2 214 942</b> | <b>91 952 684</b>  | <b>24 591 975</b>       | <b>1 389 862</b>                    | <b>-41 364 171</b>  | <b>0</b>            | <b>78 785 292</b>  |
| Loss for the year                                                 |      |                  |                    |                         |                                     | -63 672 880         |                     | -63 672 880        |
| Other comprehensive income (loss) for the year, net of income tax |      |                  |                    |                         |                                     | 0                   | -163 725            | -163 725           |
| <b>Total comprehensive income for the year</b>                    |      |                  |                    |                         |                                     | <b>-63 672 880</b>  | <b>-163 725</b>     | <b>-63 836 605</b> |
| Conversion of convertible loan                                    | 18   | 333 333          | 24 666 667         | -25 000 000             |                                     |                     |                     | 0                  |
| Recognition of share-based payments                               | 7    |                  |                    |                         | 1 858 730                           |                     |                     | 1 858 730          |
| Remuneration to the BoD                                           | 6    |                  |                    |                         | 514 050                             |                     |                     | 514 050            |
| Issue of ordinary shares - capitalization issue                   | 18   | 2 736 783        | 322 266 657        |                         |                                     |                     |                     | 325 003 440        |
| Issue of ordinary shares under share options                      | 18   | 25 000           | 793 750            |                         |                                     |                     |                     | 818 750            |
| Share issue costs                                                 |      |                  | -13 340 936        | 408 025                 |                                     |                     |                     | -12 932 911        |
| <b>Balance at 31 December 2014</b>                                |      | <b>5 310 058</b> | <b>426 338 822</b> | <b>0</b>                | <b>3 762 642</b>                    | <b>-105 037 051</b> | <b>-163 725</b>     | <b>330 210 746</b> |

The accompanying notes are an integral part of these financial statements.

| ASA                                                                     |           |                  |                    |                            |                                                   |                       |                    |
|-------------------------------------------------------------------------|-----------|------------------|--------------------|----------------------------|---------------------------------------------------|-----------------------|--------------------|
| For the year ended 31 December<br>(Amounts in NOK)                      |           |                  |                    |                            |                                                   |                       |                    |
|                                                                         | Note      | Share<br>capital | Share<br>premium   | Convertible<br>instruments | Equity-<br>settled<br>share-<br>based<br>payments | Accumulated<br>losses | Total equity       |
| <b>Balance at<br/>1 January 2013</b>                                    |           | <b>1 277 268</b> | <b>30 058 814</b>  | <b>0</b>                   | <b>698 283</b>                                    | <b>-24 353 234</b>    | <b>7 681 131</b>   |
| Loss for the year                                                       |           |                  |                    |                            |                                                   | -17 010 937           | -17 010 937        |
| Other comprehensive<br>income (loss) for the year,<br>net of income tax |           |                  |                    |                            |                                                   | 0                     | 0                  |
| <b>Total comprehensive<br/>income for the year</b>                      |           |                  |                    |                            |                                                   | <b>-17 010 937</b>    | <b>-17 010 937</b> |
| Convertible instruments                                                 |           |                  |                    | 25 000 000                 |                                                   |                       | 25 000 000         |
| Conversion of convertible<br>loan                                       |           | 60 225           | 4 046 076          |                            |                                                   |                       | 4 106 301          |
| Recognition of share-<br>based payments                                 | 7         |                  |                    |                            | 99 579                                            |                       | 99 579             |
| Remuneration to the BoD                                                 | 6         |                  |                    |                            | 592 000                                           |                       | 592 000            |
| Issue of ordinary shares -<br>capitalization issue                      | 18        | 863 116          | 59 989 668         |                            |                                                   |                       | 60 852 784         |
| Issue of ordinary shares<br>under share options                         | 18        | 14 333           | 459 417            |                            |                                                   |                       | 473 750            |
| Share issue costs                                                       |           |                  | -2 601 291         | -408 025                   |                                                   |                       | -3 009 316         |
| <b>Balance at<br/>31 December 2013</b>                                  | <b>18</b> | <b>2 214 942</b> | <b>91 952 684</b>  | <b>24 591 975</b>          | <b>1 389 862</b>                                  | <b>-41 364 171</b>    | <b>78 785 292</b>  |
| Loss for the year                                                       |           |                  |                    |                            |                                                   | -62 759 330           | -62 759 330        |
| Other comprehensive<br>income (loss) for the year,<br>net of income tax |           |                  |                    |                            |                                                   | 0                     | 0                  |
| <b>Total comprehensive<br/>income for the year</b>                      |           |                  |                    |                            |                                                   | <b>-62 759 330</b>    | <b>-62 759 330</b> |
| Conversion of convertible<br>loan                                       | 18        | 333 333          | 24 666 667         | -25 000 000                |                                                   |                       | 0                  |
| Recognition of share-<br>based payments                                 | 7         |                  |                    |                            | 425 592                                           |                       | 425 592            |
| Remuneration to the BoD                                                 | 6         |                  |                    |                            | 514 050                                           |                       | 514 050            |
| Issue of ordinary shares -<br>capitalization issue                      | 18        | 2 736 783        | 322 266 657        |                            |                                                   |                       | 325 003 440        |
| Issue of ordinary shares<br>under share options                         | 18        | 25 000           | 793 750            |                            |                                                   |                       | 818 750            |
| Share issue costs                                                       |           |                  | -13 340 936        | 408 025                    |                                                   |                       | -12 932 911        |
| <b>Balance at<br/>31 December 2014</b>                                  | <b>18</b> | <b>5 310 058</b> | <b>426 338 822</b> | <b>0</b>                   | <b>2 329 504</b>                                  | <b>-104 123 503</b>   | <b>329 854 881</b> |

The accompanying notes are an integral part of these financial statements.

## Consolidated statement of cash flow

| For the year ended 31 December |                    |                                                   |           |                    |                    |
|--------------------------------|--------------------|---------------------------------------------------|-----------|--------------------|--------------------|
| (Amounts in NOK)               |                    |                                                   |           |                    |                    |
| ASA                            |                    |                                                   | GROUP     |                    |                    |
| 2013                           | 2014               |                                                   | Note      | 2014               | 2013               |
|                                |                    | <b>Cash flows from operating activities</b>       |           |                    |                    |
| -17 010 937                    | -62 759 330        | Loss for the year before income tax               |           | -63 628 911        | -17 010 937        |
|                                |                    | <b>Adjustments for:</b>                           |           |                    |                    |
| -106 301                       | 0                  | Interest paid                                     | 12, 15    | 0                  | -106 301           |
| 1 130 824                      | -4 343 148         | Interest received                                 | 12, 15    | -4 343 148         | 1 130 824          |
| 99 579                         | 425 592            | Share option expense employees                    | 6, 7      | 1 858 730          | 99 579             |
| 592 000                        | 514 050            | Share-based payment Board of Directors            | 6, 7      | 514 050            | 592 000            |
| 0                              | 0                  | Taxes paid                                        | 13        | 0                  | 0                  |
| 236 788                        | 345 395            | Depreciation                                      | 10        | 345 395            | 236 788            |
| 829 871                        | 6 782 813          | Change in net working capital e.g.                |           | 7 053 074          | 829 871            |
| <b>-14 228 175</b>             | <b>-59 034 628</b> | <b>Cash flows from operating activities</b>       |           | <b>-58 200 810</b> | <b>-14 228 175</b> |
|                                |                    | <b>Cash flows from investing activities</b>       |           |                    |                    |
| -296 277                       | -1 582 442         | Investment in property plant and equipment        | 10        | -1 582 442         | -296 277           |
| 0                              | -136 936           | Investment in subsidiaries                        | 20        | 0                  | 0                  |
| 0                              | 4 343 148          | Interests received                                | 12, 15    | 4 343 148          | 0                  |
| <b>-296 277</b>                | <b>2 623 770</b>   | <b>Cash flows from investing activities</b>       |           | <b>2 760 706</b>   | <b>-296 277</b>    |
|                                |                    | <b>Cash flows from financing activities</b>       |           |                    |                    |
| 87 423 519                     | 312 889 279        | Proceeds from equity issue                        | 18        | 312 889 279        | 87 423 519         |
| <b>87 423 519</b>              | <b>312 889 279</b> | <b>Cash flows from financing activities</b>       |           | <b>312 889 279</b> | <b>87 423 519</b>  |
| 72 899 067                     | 256 478 421        | Net change in bank deposits, cash and equivalents |           | 257 449 175        | 72 899 067         |
| 6 669 935                      | 79 569 002         | Cash and equivalents at beginning of year         | 16        | 79 569 002         | 6 669 935          |
| <b>79 569 002</b>              | <b>336 047 423</b> | <b>Cash and equivalents at end of year</b>        | <b>16</b> | <b>337 018 177</b> | <b>79 569 002</b>  |

The accompanying notes are an integral part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2014.

### Note 1 - General information

Nordic Nanovector ASA ("the Company") is a limited company incorporated and domiciled in Norway. The address of the registered office is Kjelsåsveien 168 B, 0884 Oslo.

Nordic Nanovector is a biotech company that develops, manufactures and delivers to patients innovative, cost-effective, targeted Antibody-Radionuclide-Conjugate (ARC) clinical solutions to address major unmet medical needs and advance cancer care. The Company was established in 2009 by Roy H. Larsen and Inven2 AS on behalf of co-inventors of Betalutin™, Øyvind S. Bruland and Jostein Dahle. The Company's lead product candidate, Betalutin™, an Antibody-Radionuclide-Conjugate (ARC), is based on a tumour specific monoclonal antibody (moAb) and a radioactive nuclide. The ARC seeks out the lymphoma (cancer) cells and the radioactive nuclide causes cell death of the lymphoma cells. Betalutin™ aims to prolong and improve the quality of life of people who suffer from non-Hodgkin Lymphoma.

These financial statements were approved for issue by the Board of Directors on 23 February 2015.

### Note 2 - Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in all periods presented. Amounts are in Norwegian kroner (NOK) for Nordic Nanovector ASA unless stated otherwise. The functional currency of Nordic Nanovector ASA is NOK.

#### Basis of preparation of the annual accounts

The consolidated financial statements have been prepared in accordance with EU-approved International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board (IASB) and disclosure requirements in accordance with the Norwegian Accounting Act. Only standards that are effective for the fiscal year ended 31 December 2014 have been applied.

The annual report for 2013 was prepared in accordance with Norwegian general accepted accounting principles (N-GAAP). The annual report for 2013 was subsequently converted to IFRS. The transition from N-GAAP to IFRS is presented in the annual report for 2013 presented in accordance with IFRS, available on the Company's website.

The financial statements have been prepared on the historical cost basis, with the exception of receivables and other financial liabilities which are recognized at amortised cost.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in applying the Group's accounting policies. Areas involving a high degree of judgment or complexity, and areas in which assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

## Change in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Group during the current financial year. Below we have listed the amendments in IFRS which have been applicable for the Group's financial statements, as well as the effect of the amendments.

The following new and amended standards and interpretations have been implemented for the first time in 2014:

The Group implemented IFRS 10 Consolidated Financial Statement and IFRS 12 Disclosure of Interests in Other Entities. These standards have not had material effects on the Group.

## Consolidation principles

The Group's consolidated financial statements comprise the parent Company and its subsidiaries as of 31 December 2014. An entity has been assessed as being controlled by the Group when the Group is exposed for or has the rights to variable returns from its involvement with the entity, and has the ability to use its decision over the entity to affect the amount of the Group's returns.

**Thus, the Group controls an entity if, and only if, the Group has all the following:**

- Decision over the entity;
- The exposure, or rights, to variable returns from its involvement with the entity; and
- The ability to use its power over the entity to affect the amount of the Group's returns.

There is a presumption that if the Group has the majority of the voting rights in an entity, the entity is considered as a subsidiary. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has decision over the entity, including ownership interests, voting rights, ownership structure and relative power, as well as options controlled by the Group and shareholder's agreement or other contractual agreements. The assessments are done for each individual investment. The Group re-assesses whether or not it controls an entity 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. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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.

## Change in ownership interest without loss of control

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognized at fair value and the difference between the consideration and the carrying amount of the non-controlling interests is recognized at the equity attributable to the parent.

## Loss of control

In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets (including goodwill) and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognized at the date when the control is lost. The fair value of the consideration received is recognized and any investment retained is recognized at fair value. Gain or loss is recognized in profit and loss at the date when the control is lost.

## Functional currency and presentation currency

The functional currency is determined in each entity in the Group based on the currency within the entity's primary economic environment. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction, and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Changes in the exchange rate are recognized continuously in the accounting period.

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

## Investment in subsidiaries

Shares and investments intended for long-term ownership are reported in the parent Company's statement of financial position as long-term investments and valued at cost. The Company determines at each reporting date whether there is any objective indication that the investment in the subsidiary is impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the subsidiary and its carrying value and recognizes the amount in the income statement. Any realized and unrealized losses and any write downs relating to these investments will be included in the parent's statement of comprehensive income as financial items.

## Segments

The Group's leading product has not yet obtained regulatory approval. For management purposes, the Group is organized as one business unit and the internal reporting is structured in accordance with this. The Group has thus only one operating segment.

## Revenue recognition

Revenue comprises the fair value of consideration received or due consideration for the sale of services in regular business activities. Revenue is presented net of value added tax. Revenue is recognized when the service is performed or the goods delivered.

The Group's products are still in the research and development phase, and there is no revenue from sales of products yet. Revenue arises from services related to incubator services, rent out of employees and income from sublease of laboratory space, instruments and services shared with other companies.

## Government grants

Government grants are recognized at the value of the contributions at the transaction date. Grants are not recognized until it is probable that the conditions attached to the contribution will be achieved. The grant is recognized in the income statement in the same period as the related costs, which are presented net.

Government grants are normally related to either reimbursements of employee costs and classified as a reduction of payroll and related expenses or related to other operating activities and thus classified as a reduction of other operating expenses.

## Research and development

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Internal development costs related to the Group's development of products are recognized in the income statement in the year incurred unless it meets the asset recognition criteria of IAS 38 "Intangible Assets". An internally-generated asset arising from the development phase of an R&D project is recognized if, and only if, all of the following has been demonstrated:

- Technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Uncertainties related to the regulatory approval process and results from ongoing clinical trials, generally indicate that the criteria are not met until the time when marketing authorization is obtained from relevant regulatory authorities. The Group has currently no development expenditure that qualifies for recognition as an asset under IAS 38.

## Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes expenditures that are directly attributable to the acquisition of the individual item. Property, plant and equipment are depreciated on a straight-line basis over the expected useful life of the asset. If significant individual parts of the assets have different useful lives, they are recognized and depreciated separately. Depreciation commences when the assets are ready for their intended use. The estimated useful lives of the assets are as follows:

- Office equipment: 2 – 3 years
- Laboratory equipment: 3 – 5 years
- Permanent building fixtures: 2 – 5 years
- Furniture and fittings: 3 years
- Software: 3 years

The estimated useful life of fixed assets related to the laboratory equipment, is based on the Company's assessment of operational risk. Due to scientific and regulatory reasons there is a risk of termination of the project. This has been taken into account when determining the estimated useful life of the individual assets.

## Leasing

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term. Incentives received on negotiating or renewing operating leases are also amortized on a straight-line basis over the lease terms. Any prepaid lease payments are recognized in the statement of financial position and amortized over the lease term on a straight-line basis. Any contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

The Group has not entered into any finance lease arrangements.

## Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. Assets that are subject to amortization are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). An impairment loss is recognized immediately in profit or loss, reducing the carrying value to the recoverable amount.

Non-financial assets (or cash generating units) other than goodwill that have suffered impairment charges are reviewed for possible reversal of the impairment at each reporting date. A reversal is recognized immediately in profit or loss and increases the carrying amount of the asset to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

## Financial assets

The Group's financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the asset. The assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership to another party.

The Group's financial assets consist of "trade and other receivables" and "cash and cash equivalents". Management determines the classification of its financial assets at initial recognition, and the classification of financial assets depends on the nature and purpose of the financial assets. Currently, all the Group's financial assets are categorized as loans and receivables. They are included in current assets, except where maturity is more than 12 months after the balance sheet date. These are classified as non-current assets. The Group has currently not recognized any non-current financial assets.

Financial assets are assessed for indicators of impairment at the end of the reporting period and are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

## Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

## Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

## Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a company are recognized at the proceeds received, net of any issue costs.

The Company classifies instruments as equity if both the following conditions are met:

- The instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company;
- If the instrument will or may be settled in the Company's own equity instruments, it is
  - a non-derivative that includes no contractual obligation for the Company to deliver a variable number of its own equity instruments; or
  - a derivative that will be settled only by the Company exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Transaction costs directly attributable to the issue of equity are recognized directly in equity, net of tax.

## Financial liabilities

The Group's financial liabilities consist of accounts payable and other current liabilities and are classified as "current liabilities". Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable and other financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## Share-based payments

The Company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees and members of the Board as consideration for equity instruments (options) in the Company. Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense, based on the Company's estimate of equity instruments that will eventually vest. The total amount to be expensed is determined by reference to the fair value of the options granted excluding the impact of any non-market service and performance vesting conditions. The grant date fair value of the options granted

is recognized as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (vesting period).

The fair value of the options granted is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate.

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are recognized as share capital (nominal value) and share premium reserve.

Social security tax on options is recorded as a liability and is recognized over the estimated vesting period.

### **Defined contribution plans**

The Group has only contributions to local pension plans. These contributions have been made to the pension plan for full-time employees and equal 5-11% of the employee's salary. The pension premiums are charged to expenses as they are incurred. See note 6.

### **Current and deferred tax**

Income tax expense represents the sum of taxes currently payable and deferred tax.

Deferred taxes are recognized based on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for taxable temporary differences and deferred tax assets arising from deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Currently, no deferred tax asset has been recognized in the financial statements of the Company.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

### **Earnings per share**

Earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated as profit or loss attributable to ordinary shareholders of the Company, adjusted for the effects of all dilutive potential options.

## Events after the reporting period

New information on the Company's financial position at the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the Company's financial position at the end of the reporting period but which will affect the Company's financial position in the future are disclosed if significant.

### Note 3 - Standards and interpretations in issue but not yet adopted

IASB has published certain new standards and interpretations and amendments to existing standards and interpretations that are not effective for the annual period ending 31.12.2014 and that are not applied when preparing these financial statements. New and amended standards and interpretations expected to be relevant the Group's financial position, performance or disclosures are disclosed below. None of the changes disclosed are EU-approved.

| Changes/improvements            | Standard                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual improvements 2010 – 2012 | <p>IFRS 2 Share-based Payment - Performance condition and service condition are defined in order to clarify various issues</p> <p>IFRS 13 Fair Value Measurement - The IASB clarified that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.</p> <p>IAS 24 Related Party Disclosures - The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures</p> |

Management considers that the impact of the adoption of these new and revised/amended standards and interpretations will not be material to the financial statements of the Group.

## Note 4 - Critical accounting judgments and key sources of estimation uncertainty

### Critical accounting estimates and judgments

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are evaluated on an on-going basis and are based on historical experience and other factors, including expectations of future events that are considered to be relevant.

### Deferred tax

The Company considers that a deferred tax asset related to accumulated tax losses cannot be recognized in the statement of financial position until the product under development has been approved for marketing by the relevant authorities. However, this assumption is continually assessed and changes could lead to significant deferred tax asset being recognized in the future. This assumption requires significant management judgment.

### Intangible assets

Research costs are recognized in the income statement as incurred. Internal development costs related to the Group's development of products are recognized in the income statement in the year in which it is incurred unless it meets the recognition criteria of IAS 38 Intangible Assets. Uncertainties related to the regulatory approval process and other factors generally means that the criteria are not met until the time when the marketing authorization is obtained with the regulatory authorities. This assessment requires significant management discretion and estimations.

### Share-based payments

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. The fair value of the options granted is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate. At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Changes to the estimates may significantly influence the expense recognized during a period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in notes 6 and 7.

## Note 5 - Segments

Furthermore, the Group's lead product Betalutin™, has not yet obtained regulatory approval. For management purposes, the Group is organized as one business unit and the internal reporting is structured in accordance with this.

| Geographical breakdown of assets and liabilities |             |             |
|--------------------------------------------------|-------------|-------------|
|                                                  | 2014        |             |
|                                                  | Norway      | Switzerland |
| <b>Assets</b>                                    |             |             |
| Non-current assets                               | 1 617 796   | 0           |
| Current assets                                   | 6 841 276   | 234 690     |
| Cash and cash equivalents                        | 336 047 423 | 970 754     |
| <b>Liabilities</b>                               |             |             |
| Current liabilities                              | 14 788 550  | 712 643     |

Assets and liabilities are broken down by geographical areas based on the location of the companies. In 2013 all assets and liabilities were geographically related to Norway.

## Note 6 - Payroll and related expenses

| ASA              |                   |                                                  | GROUP             |                  |
|------------------|-------------------|--------------------------------------------------|-------------------|------------------|
| 2013             | 2014              |                                                  | 2014              | 2013             |
| 6 477 670        | 11 218 855        | Salaries                                         | 13 418 029        | 6 477 670        |
| 1 306 121        | 2 184 571         | Social security tax                              | 2 474 803         | 1 306 121        |
| 396 421          | 678 629           | Pension expense                                  | 845 142           | 396 421          |
| 99 579           | 425 592           | Share option expense employees                   | 1 858 730         | 99 579           |
| 64 643           | 649 961           | Other remuneration                               | 2 526 770         | 64 643           |
| -3 097 182       | -1 467 515        | Government grants                                | -1 467 515        | -3 097 182       |
| <b>5 247 252</b> | <b>13 690 093</b> | <b>Total payroll and related expenses</b>        | <b>19 655 959</b> | <b>5 247 252</b> |
| 7,4              | 13,2              | Average number of full time equivalent employees | 14,1              | 7,4              |

The Company has a defined contribution pension scheme that complies with the requirements of Norwegian occupational pension legislation (OTP).

## Remuneration to management

The total remuneration for the members of the management was NOK 11,827,580 in 2014 on a cost to company basis, and total remuneration paid to the members of the management in 2014 was NOK 10,089,363.

| Total remuneration to management during the year ended 31 December is as follows: |                  |                |                                                   |                                  |
|-----------------------------------------------------------------------------------|------------------|----------------|---------------------------------------------------|----------------------------------|
| 2014                                                                              |                  |                |                                                   |                                  |
| Name                                                                              | Salary           | Pension cost   | Share-based payments excl. of social security tax | Other remuneration <sup>1)</sup> |
| Luigi Costa, CEO <sup>2, 6)</sup>                                                 | 907 250          | 111 084        | 1 291 471                                         | 529 187                          |
| Tone Kvåle, CFO                                                                   | 1 065 134        | 87 240         | 7 900                                             | 275 204                          |
| Marco Renoldi, CBO <sup>3, 6)</sup>                                               | 338 707          | 44 673         | 208 123                                           | 54 529                           |
| Cristina Oliva, CMO <sup>4, 6)</sup>                                              | 308 474          | 0              | 234 139                                           | 1 780 194                        |
| Jan A. Alfheim, COO                                                               | 1 326 840        | 69 276         | -30 197                                           | 368 227                          |
| Jostein Dahle, CSO                                                                | 890 742          | 57 684         | 9 886                                             | 60 323                           |
| Anniken Hagen, CQO                                                                | 868,099          | 64 584         | 7 009                                             | 39 847                           |
| Björg Bolstad, Sr. Director Clinical Development <sup>5)</sup>                    | 741 217          | 57 310         | 9 886                                             | 43 538                           |
| <b>Total Management remuneration</b>                                              | <b>6 446 463</b> | <b>491 851</b> | <b>1 738 217</b>                                  | <b>3 151 049</b>                 |

- 1) Other remuneration includes contingent accrued bonus, insurance, car allowance (if relevant), healthcare allowance (if relevant) and representation allowance (if relevant).
- 2) Effective from 1 September 2014, Mr. Costa commenced as CEO of the Company. He is entitled to an annual salary of CHF 375,000. In 2014, Mr. Costa received CHF 125,000 in salary, CHF 72,911 in other remuneration (including, among other things, accrued contingent bonus of CHF 50,000) and CHF 15,305 in pension cost. Mr. Costa is entitled to a target performance bonus for up to 40% of the annual base salary if certain targets set by the Board of Directors are met. In addition to the bonus, Mr. Costa is entitled to a stretch bonus of up to 20% of his annual base salary if the targets for such stretch bonus as determined annually by the Board of Directors, are achieved.
- 3) Effective from 1 November 2014, Mr. Renoldi commenced as CBO of the Company. He is entitled to an annual salary of CHF 280,000. In 2014, Mr. Renoldi received CHF 46,666 in salary, CHF 7,513 in other remuneration and CHF 6,155 in pension cost. In addition, Mr. Renoldi will be entitled to a target performance bonus for up to 30% of the annual base salary earned from 2015 if certain targets are met.
- 4) Effective from 1 November 2014, Mrs. Oliva commenced as CMO of the Company. She is entitled to an annual salary of GBP 165,000. In 2014, Mrs. Oliva received GBP 27,500 in salary, GBP 161,103 in other remuneration (including, among other things, a sign-on bonus of GBP 152,000). In addition, Mrs. Oliva will be entitled to a target performance bonus for up to 30% of the annual base salary earned from 2015 if certain targets are met.
- 5) Björg Bolstad (senior director clinical development) was until 1 November 2014 the Chief Clinical Officer of the Company.
- 6) For comparative purposes, the exchange rate CHF/NOK published by Norges Bank on 31 December 2014 of 7.25 and the average exchange rate GBP/NOK for November and December 2014 published at [www.dnb.no](http://www.dnb.no) of 11.05 are used in the table.

## Benefits upon termination

The CEO, Luigi Costa, is in the event of termination of his employment agreement by the Company for reasons other than cause entitled to 15 months' pay and the accrued target performance bonus up until the date of notice of termination of employment. Furthermore, the CMO Cristina Oliva and the CBO Marco Renoldi, are in the event of termination of their employment agreements by the Company for reasons other than cause entitled to 12 months' pay and the accrued target performance bonus up until the date of notice of termination of employment. In addition, the CFO, Tone Kvåle, is entitled to six months' pay after termination of employment in connection with an acquisition of the Company. Apart from the above, no employee, including any member of management, has entered into employment agreements which provide for any special benefits upon termination. None of the Board members or members of the nomination committee have service contracts and none will be entitled to any benefits upon termination of office.

| Total remuneration to management during the year ended 31 December is as follows: |                                        |                                    |                                                      |                    |
|-----------------------------------------------------------------------------------|----------------------------------------|------------------------------------|------------------------------------------------------|--------------------|
| 2013                                                                              |                                        |                                    |                                                      |                    |
| Name                                                                              | Salary                                 | Pension cost                       | Share-based payments<br>excl. of social security tax | Other remuneration |
| Jan A. Alfheim, CEO                                                               | 1 283 616                              | 71 892                             | 15 779                                               | 50 000             |
| Tone Kvåle, CFO                                                                   | 940 933                                | 79 296                             | 39 368                                               | 7 694              |
| Björg Bolstad, CCO                                                                | 857 007                                | 63 036                             | 11 646                                               | 19 422             |
| Jostein Dahle, CSO                                                                | 862 844                                | 53 376                             | 11 646                                               | 57 985             |
| Anniken Hagen, Head of QA and RA                                                  | 784 279                                | 59 196                             | 7 013                                                | 38 190             |
| <b>Total Management remuneration</b>                                              | <b>4 728 679</b>                       | <b>326 796</b>                     | <b>85 452</b>                                        | <b>173 291</b>     |
| Shares in the Company are held by the following persons in the management Group   |                                        |                                    |                                                      |                    |
| Name                                                                              | Current position within<br>the Company | Employed with the<br>Company since | Shares 2014                                          | Shares 2013        |
| Luigi Costa                                                                       | Chief Executive Officer                | September 2014                     | 64 000                                               | 0                  |
| Tone Kvåle                                                                        | Chief Financial Officer                | November 2012                      | 35 167                                               | 27 761             |
| Marco Renoldi                                                                     | Chief Business Officer                 | November 2014                      | 0                                                    | 0                  |
| Cristina Oliva                                                                    | Chief Medical Officer                  | November 2014                      | 0                                                    | 0                  |
| Jan A. Alfheim <sup>1)</sup>                                                      | Chief Operations Officer               | August 2011                        | 70 334                                               | 4 443              |
| Jostein Dahle                                                                     | Chief Scientific Officer               | January 2011                       | 268 358                                              | 22 000             |
| Anniken Hagen                                                                     | Chief Quality Officer                  | August 2012                        | 48 771                                               | 34 837             |
| <b>Total shares owned by Management</b>                                           |                                        |                                    | <b>486 630</b>                                       | <b>89 041</b>      |

1) Jan A. Alfheim held the position of CEO until 1 September 2014.

### The following members of the management participate in the Second Option Program:

| Option holder       | Number of options<br>outstanding as of<br>23 February 2015 | Grant date       | Expiry date      | Exercise price (NOK) |
|---------------------|------------------------------------------------------------|------------------|------------------|----------------------|
| Luigi Costa, CEO    | 868 106                                                    | 1 September 2014 | 1 September 2021 | 25                   |
| Cristina Oliva, CMO | 312 904                                                    | 1 November 2014  | 1 November 2021  | 30.50                |
| Marco Renoldi, CBO  | 278 137                                                    | 1 November 2014  | 1 November 2021  | 30.50                |
| Tone Kvåle, CFO     | 175 000                                                    | 7 January 2015   | 7 January 2022   | 28                   |
| Jostein Dahle, CSO  | 105 000                                                    | 7 January 2015   | 7 January 2022   | 28                   |
| Jan Alfheim, COO    | 150 000                                                    | 7 January 2015   | 7 January 2022   | 28                   |
| Anniken Hagen, CQO  | 112 000                                                    | 7 January 2015   | 7 January 2022   | 28                   |
| <b>Total</b>        | <b>2 001 147</b>                                           |                  |                  |                      |

The options granted under the Second Option Program vest in accordance with the following vesting schedule: (i) 25% of the options vest 12 months after the date of grant (unless otherwise agreed in connection with the relevant grant), and (ii) 1/36 of the remaining options vest each month thereafter. It is a condition for vesting that the option holder is an employee of the Group at the time of vesting.

Vested options may be exercised in a period of 15 Norwegian business days from the day following the day of the Company's release of its annual or quarterly results, unless the Board of Directors resolves otherwise. The options expire seven years from grant date.

The options may be exercised when having vested, provided that a liquidity event has occurred. For the purpose of the option program, a listing will be a liquidity event.

### Number of options outstanding for the management in the First Option Program:

| Option holder      | Number of options outstanding as of 23 February 2015 | Grant date      | Expiry date     | Exercise price (NOK) |
|--------------------|------------------------------------------------------|-----------------|-----------------|----------------------|
| Jostein Dahle, CSO | 20 000                                               | 5 July 2011     | 15 July 2015    | 6.25                 |
| Anniken Hagen, CQO | 13 333                                               | 12 April 2012   | 1 April 2016    | 6.75                 |
| Tone Kvåle, CFO    | 30 000                                               | 11 October 2012 | 11 October 2016 | 6.75                 |
| <b>Total</b>       | <b>63 333</b>                                        |                 |                 |                      |

In general, 1/3 of the options granted under the First Option Program vested immediately upon grant. The remaining 2/3 vested in two portions (1/3 each time) at the achievement of defined milestones. The options granted under the First Option Program may be exercised twice a year, either in the period from 15 January to 15 February or 1 August to 15 September each year from the date of vesting until expiry.

In February 2014, Jan A. Alfheim exercised 60,000 share options at a price of NOK 6.75. Jan A. Alfheim had 90,000 share options end 2013. The same month, Jostein Dahle exercised 20,000 share options at a price of NOK 6.5. Jostein Dahle held 40,000 share options end 2013.

## **Remuneration policy for members of Management - Guidelines for 2015:**

### **1. Introduction**

This statement regarding remuneration of the management (the "Management") of Nordic Nanovector ASA and its subsidiaries (the "Group") has been prepared by the Board of Directors (the "Board") of Nordic Nanovector ASA (the "Company") pursuant to section 6-16a of the Norwegian Public Limited Companies Act.

The main principle of the Group's remuneration policy for the Management is to offer competitive terms in an overall perspective taking into account salary, short- and long-term incentives pension plans and other benefits, to motivate and retain key staff.

### **2. Policy and principles**

The Group commenced in the fall of 2014 implementation of a remuneration policy for the Management consisting of the following main elements:

- Fixed salary (base-salary)
- Short-term incentive (cash bonus)
- Long-term incentive (equity incentives)
- Benefits (primarily pension)

Prior to the implementation of such remuneration policy, the remuneration of Management did not include annual option grant or bonuses.

The fixed salary for each member of the Management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate.

The Management will be eligible for a cash bonus as a short-term incentive.

The Management is granted cash bonus following an assessment of criteria based on both the Group's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Board. The CEO sets relevant targets for the other members of the Management team, based on principles defined by the Board. The maximum potential of the bonus is determined on an individual basis.

The Management receives payment in kind such as cell phone expenses and payment of IT and telecommunication expenses. In addition, representation allowance is given if relevant.

### **3. Long-term incentive – equity incentives**

The Board has used and will continue to use share options to recruit, incentivise and retain Management and other key employees. The Group will use share options in connection with the employment of new employees and can also grant share options on an annual basis to existing employees. The total number of share options outstanding shall not exceed 10% of the outstanding shares in the Company at any given time. The Board will request the general meeting to make the resolutions required for the Board to be authorised to issue new shares in an amount up to 10% of the total number of shares outstanding in order to be able to honour options being exercised by the issuance of new shares.

The Company has granted share options under two different option programs. The first option program was established in 2011 (the "First Option Program"), and options under that program were granted in 2011 and 2012. The second option program was established in 2014 (the "Second Option Program") and the first options under that program were granted in the fall of 2014. Each option granted gives the holder a conditional right to acquire one share in the Company. The exercise price is equal to the market price of the shares at the date of the grant. The Company may settle options in cash.

As of 23 February 2015, there were 63,333 outstanding options granted to the current management under the First Option Program. In general, 1/3 of the options granted under the First Option Program vested immediately upon grant. The remaining 2/3 vested in two portions (1/3 each time) at the achievement of defined milestones. The options granted under the First Option Program may be exercised twice a year, either in the period from 15 January to 15 February or 1 August to 15 September each year from the date of vesting until expiry.

As of 23 February 2015, there were 2,001,147 outstanding options allocated to the current management under the Second Option Program. The options granted under the Second Option Program vest in accordance with the following vesting schedule: (i) 25% of the options vest 12 months after the date of grant, and (ii) 1/36 of the remaining options vest each month thereafter. It is a condition for vesting that the option holder is an employee of the Group at the time of vesting. Vested options may be exercised in a period of 15 Norwegian business days from the day following the day of the Company's release of its annual or quarterly results, unless the Board resolves otherwise. The options expire seven years from grant date.

The dilution effect of options exercised 21 February 2014 was 0.7% for the shareholders. The dilution effect of options exercised 17 December 2014 was 0.1% for the shareholders.<sup>1</sup>

<sup>1</sup> As the Company was not OTC listed at the time of the options exercise 21 February 2014, the dilutive effect is calculated on the nominal share capital. For the options exercise on 17 December 2014, the dilutive effect is calculated using the share price as of 17 December 2014 as a reference.

The options may be exercised when having vested, provided that a liquidity event has occurred. For the purpose of the option program, a listing will be a liquidity event.

The Group will continue to grant options under the Second Option Program, while no additional options will be granted under the First Option Program.

#### **4. Severance pay arrangement**

The CEO is in the event of termination of his employment agreement by the Group for reasons other than cause entitled to 15 months' pay and the accrued target performance bonus up until the date of notice of termination of employment. Furthermore, the CMO and the CBO, are in the event of termination of their employment agreements by the Group for reasons other than cause entitled to 12 months' pay and the accrued target performance bonus up until the date of notice of termination of employment. In addition, the CFO is entitled to six months' pay after termination of employment in connection with an acquisition of the Company. Apart from the above, no member of Management has entered into employment agreements which provide for any special benefits upon termination.

#### **5. Pension scheme**

All members of the Management other than the CMO (who is resident in England and holds a private pension scheme in England) are included in the Group's occupational pension scheme for the Group's employees. The pension scheme is a defined contribution scheme and contributions range from 5% to 8% of the employee's salary up to 12G (Norwegian base amount) in the Company, and in the range from 5% to 11% in the Group.

#### **6. The decision-making process**

The Board has appointed a remuneration committee consisting of Board members. The remuneration committee is a preparatory body for the Board and its main objective is to assist the Board in its work relating to the terms of employment for the Management. The Board determines the CEO's salary and other terms of his employment.

The remuneration committee answers to the Board alone for the performance of its duties. The work of the committee does not alter the responsibility of the Board or the individual Board member.

## Remuneration to the Board of Directors

The Extraordinary General Meeting held on 12 November 2014 resolved changes to the composition of the Board of Directors and remuneration of the Board Members for the period from the Annual General Meeting in 2014 until 12 November 2014 and for the period from 12 November 2014 until the Annual General Meeting in 2015 as follows (amounts in NOK):

| Remuneration to the Board of Directors<br>2013                                                                                            |                                                |                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Name                                                                                                                                      | Period from 2014 AGM<br>until 12 November 2014 | Period from 12 November 2014<br>until AGM 2015 |
| Roy H. Larsen <sup>1)</sup>                                                                                                               | 75 000                                         |                                                |
| Bjørn Odlander <sup>2)</sup>                                                                                                              | 37 500                                         |                                                |
| Each of Jonas Einarsson, Olav Steinnes,<br>Alexandra Morris, Theresa Comiskey Olsen,<br>Bente-Lill Bjerkelund Romøren, and Ludvik Sandnes | 45 000                                         |                                                |
| Ludvik Sandnes <sup>3)</sup>                                                                                                              |                                                | 240 000                                        |
| Each of Roy Hartvig Larsen, Alexandra Morris,<br>Per Samuelsson and Hilde Hermansen Steineger                                             |                                                | 45 000                                         |

1) Chairman until 12 November 2014.

2) For the period from 1 July 2014.

3) Remuneration set at this level to compensate for additional work load relating to the Listing process.

At the Extraordinary General Meeting held on 12 November 2014 it was resolved that each Board member should have the right to receive the remuneration in cash, or wholly or partly in the form of shares. The shares were subscribed to at nominal value of NOK 0.20 each and the number of shares to be issued was determined on the basis of the then prevailing market price of NOK 30 per share (i.e. a discount of NOK 29.80 per share). Subscription was made by the following Board members: Ludvik Sandnes (9,500 shares), Roy H. Larsen (4,000 shares), Hilde Steineger (750 shares), Bente-Lill Romøren (1,500 shares) and Theresa Comiskey Olsen (1,500 shares).

| Shares in the Company are held by the following persons of the Board of Directors |              |               |               |                  |                  |
|-----------------------------------------------------------------------------------|--------------|---------------|---------------|------------------|------------------|
| Name                                                                              | Position     | Served since  | Served to     | Shares 2014      | Shares 2013      |
| Ludvik Sandnes <sup>1)</sup>                                                      | Chairman     | June 2013     |               | 120 500          | 81 000           |
| Alexandra Morris <sup>2)</sup>                                                    | Board Member | June 2013     |               | 63 520           | 31 000           |
| Roy Hartvig Larsen <sup>3)</sup>                                                  | Board Member | July 2009     |               | 1 755 949        | 1 701 949        |
| Per Samuelsson                                                                    | Board Member | November 2014 |               | 0                | 0                |
| Hilde Hermansen Steineger                                                         | Board Member | November 2014 |               | 750              | 0                |
| Vidar Hansson <sup>4)</sup>                                                       | Board Member | July 2009     | July 2014     |                  | 307 487          |
| Theresa Comiskey Olsen                                                            | Board Member | June 2013     | November 2014 |                  | 6 000            |
| Bente-Lill B. Romøren                                                             | Board Member | June 2013     | November 2014 |                  | 6 000            |
| <b>Total shares to Board of Directors</b>                                         |              |               |               | <b>1 940 719</b> | <b>2 133 436</b> |

1) Ludvik Sandnes holds 120,500 shares in the Company, of which 105,000 are held through Ekornhuset AS.

2) Alexandra Morris holds 63,520 shares in the Company, of which 57,520 are held through Gordito AS.

3) Roy Larsen holds 1,755,949 shares in the Company, of which 1,162,000 are held through Sciencons AS.

4) Vidar Hansson held in 2013, 307,487 shares in the Company, of which 307, 487 were held through Varak AS.

## Note 7 - Employee share option program

The Company has a share option scheme for all employees of the Group. Each share option gives the right to acquire one ordinary share of the Company on exercise. The Company may settle options in cash.

| The following equity incentive schemes were in existence during the current and prior years:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                   |                                 |                   |                                 |                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|--------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Number of options | Grant date                      | Expiry date       | Exercise price                  | Fair value at grant date |
| Granted on 5 July 2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 150 000           | 5 July 2011                     | 15 July 2015      | 6.25                            | 2.61                     |
| Granted on 2 February 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 90 000            | 2 February 2012                 | 2 February 2016   | 6.75                            | 3.14                     |
| Granted on 12 April 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 40 000            | 12 April 2012                   | 12 April 2016     | 6.75                            | 3.14                     |
| Granted on 17 April 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 15 000            | 17 April 2012                   | 17 April 2015     | 6.75                            | 2.77                     |
| Granted on 11 October 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 50 000            | 11 October 2012                 | 11 October 2016   | 6.75                            | 3.15                     |
| Granted on 9 July 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 43 800            | 9 July 2014                     | 9 July 2021       | 25.00                           | 8.07                     |
| Granted on 1 September 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 868 106           | 1 November 2014                 | 1 September 2021  | 25.00                           | 8.49                     |
| Granted on 1 October 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 15 000            | 1 October 2014                  | 30 September 2021 | 30.00                           | 8.72                     |
| Granted on 1 November 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 591 041           | 1 November 2014                 | 31 October 2021   | 30.50                           | 8.68                     |
| <p>The options granted from 2011 to 2012 vest in three steps, at milestones that are significant to the responsibility of the employee. Generally, 1/3 vest immediately, while milestone 2 and 3 are dependent on the achievement of certain activities.</p> <p>The options granted in 2014 vest in 37 steps. Generally, 25 % of the options vest 12 months after grant date, and 1/36 of the remaining options will vest each month thereafter with the first 1/36 vesting 13 months after the initial grant.</p> <p>The weighted average fair value of the share options granted during 2014 was NOK 8.55. Options were priced using the Black-Scholes model. The expected volatility is estimated at 60%, based on the volatility of comparable listed companies. The risk free interest rate applied to the share options granted in 2014 varies between 1.18 % and 1.62 %</p> |                   |                                 |                   |                                 |                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 2014              |                                 | 2013              |                                 |                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |                          |
| Balance at 1 January                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 253 334           | 6.53                            | 325 000           | 6.52                            |                          |
| Granted during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 1 517 947         | 27.20                           | 0                 | 0                               |                          |
| Exercised during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -125 000          | 6.51                            | -71 667           | 6.47                            |                          |
| Forfeited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -30 000           | 6.75                            | 0                 | 0                               |                          |
| <b>Balance at 31 December</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>1 616 281</b>  | <b>25.94</b>                    | <b>253 333</b>    | <b>6.53</b>                     |                          |

## Share option program

### Overview

The Company has granted share options under two different option programs. The first option program was established in 2011 (the "First Option Program"), and options under that program were granted in 2011 and 2012. The second option program was established in 2014 (the "Second Option Program").

Each option granted gives the holder a conditional right to acquire one share in the Company. The exercise price is equal to the market price of the shares at the date of the grant. The Company may settle options in cash.

### First Option Program

As of this date, there were 98,333 options outstanding under the First Option Program.

In general, 1/3 of the options granted under the First Option Program vested immediately upon grant. The remaining 2/3 vested in two portions (1/3 each time) at the achievement of defined milestones. The options granted under the First Option Program may be exercised twice a year, either in the period from 15 January to 15 February or 1 August to 15 September each year from the date of vesting until expiry.

**The options outstanding under the First Option Program are detailed below:**

| Grant date      | Number of options | Expiry date     | Exercise price (NOK) |
|-----------------|-------------------|-----------------|----------------------|
| 5 July 2011     | 50 000            | 15 Jul 2015     | 6.25                 |
| 12 April 2012   | 13 333            | 12 April 2016   | 6.75                 |
| 17 April 2012   | 5 000             | 17 April 2015   | 6.75                 |
| 11 October 2012 | 30 000            | 11 October 2016 | 6.75                 |
| <b>Total</b>    | <b>98 333</b>     |                 |                      |

### Second Option Program

As of this date, there were 2,236,147 options outstanding under the Second Option Program.

The options granted under the Second Option Program vest in accordance with the following vesting schedule: (i) 25% of the options vest 12 months after the date of grant, and (ii) 1/36 of the remaining options vest each month thereafter. It is a condition for vesting that the option holder is an employee of the Group at the time of vesting.

Vested options may be exercised in a period of 15 Norwegian business days from the day following the day of the Company's release of its annual or quarterly results, unless the Board of Directors resolves otherwise. The options expire seven years from grant date.

## Options have been granted under the Second Option Programs as follows:

| Grant date        | Number of options | Vesting of first 25% | Expiry date      | Exercise price (NOK) |
|-------------------|-------------------|----------------------|------------------|----------------------|
| 9 July 2014       | 17 400            | Have vested          | 9 July 2021      | 25                   |
| 9 July 2014       | 3 600             | 1 March 2015         | 9 July 2021      | 25                   |
| 9 July 2014       | 6 000             | 1 July 2015          | 9 July 2021      | 25                   |
| 9 July 2014       | 4 800             | 1 September 2015     | 9 July 2021      | 25                   |
| 1 September 2014  | 868 106           | 1 September 2015     | 1 September 2021 | 25                   |
| 9 July 2014       | 12 000            | 1 October 2015       | 9 July 2021      | 25                   |
| 1 October 2014    | 15 000            | 1 October 2015       | 1 October 2021   | 30                   |
| 1 November 2014   | 591 041           | 1 November 2015      | 1 November 2021  | 30.50                |
| <b>Total 2014</b> | <b>1 517 947</b>  |                      |                  |                      |
| 7 January 2015    | 718 200           | 7 January 2016       | 7 January 2022   | 28                   |
| <b>Total</b>      | <b>2 236 147</b>  |                      |                  |                      |

The options may be exercised when having vested, provided that a liquidity event has occurred. For the purpose of the option program, a listing will be a liquidity event.

## Note 8 - Transactions with related parties

Details of transactions between the Company and related parties are disclosed below.

| GROUP                                                                                              |                                                                    |         |                                                                   |         |
|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|---------|-------------------------------------------------------------------|---------|
| During the year, the Company entered into the following trading transactions with related parties: |                                                                    |         |                                                                   |         |
|                                                                                                    | Sales<br>(included in revenue)                                     |         | Purchases<br>(included in other operating expenses)               |         |
|                                                                                                    | 2014                                                               | 2013    | 2014                                                              | 2013    |
| Companies controlled by Board member<br>(previous Chairman of the Board)                           | 437 079                                                            | 286 983 | 360 543                                                           | 341 988 |
| At 31 December, the Company had the following balances with related parties:                       |                                                                    |         |                                                                   |         |
|                                                                                                    | Amounts owed by related parties<br>(included in other receivables) |         | Amounts owed to related parties<br>(included in accounts payable) |         |
|                                                                                                    | 2014                                                               | 2013    | 2014                                                              | 2013    |
| Companies controlled by Board member<br>(previous Chairman of the Board)                           | 0                                                                  | 23 125  | 0                                                                 | 142 188 |
|                                                                                                    |                                                                    |         |                                                                   |         |

Nordic Nanovector ASA bought consulting services of NOK 322,608 from Board member and shareholder Roy H. Larsen (the previous Chairman of the Board) through his 100% owned company Sciencons AS in Q2 2014.

## Note 9 - Government grants

| Government grants have been recognized in profit or loss as a reduction of the related expense with the following amounts: |           |                                                              |           |           |
|----------------------------------------------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------|-----------|-----------|
| ASA                                                                                                                        |           |                                                              | GROUP     |           |
| 2013                                                                                                                       | 2014      |                                                              | 2014      | 2013      |
| 3 097 182                                                                                                                  | 1 467 515 | Payroll and related expenses                                 | 1 467 515 | 3 097 182 |
| 4 489 818                                                                                                                  | 3 068 383 | Other operating expenses                                     | 3 068 383 | 4 489 818 |
| 2013                                                                                                                       | 2014      | Grants receivable as at 31 December are detailed as follows: | 2014      | 2013      |
| 2 000 000                                                                                                                  | 666 667   | Grants from Research Council BIA <sup>1)</sup>               | 666 667   | 2 000 000 |
| 217 000                                                                                                                    | 147 667   | Grants from Research Council PhD <sup>2)</sup>               | 147 667   | 217 000   |
| 0                                                                                                                          | 117 890   | Grants from the Research Council Eurostars <sup>3)</sup>     | 117 890   | 0         |
| 2 386 000                                                                                                                  | 1 899 608 | Grants from SkatteFunn <sup>4)</sup>                         | 1 899 608 | 2 386 000 |
| 4 603 000                                                                                                                  | 2 831 832 | Total                                                        | 2 831 832 | 4 603 000 |

- 1) The Company has been awarded a grant from the Research Council (program for user-managed innovation arena (BIA) of NOK 10,500,000 in total for the period 2012 through 2015. For the financial year ended 31 December 2014, the Company has recognized NOK 2 million (2013: NOK 5 million) classified partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses
- 2) The Research Council has awarded a grant supporting a PhD for the period 2011 through 2014 of NOK 1,940,000 in total. For the financial year 2014, the Company has recognized NOK 443,000 (2013: NOK 651,000) partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.
- 3) The Research Council Eurostars has awarded a grant supporting a collaboration research agreement with Affibody AB for the period 2014 through 2017 of NOK 4 million in total. For the financial year 2014, the Company has recognized NOK 193 000 partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.
- 4) R&D projects have been approved for SkatteFunn for the period 2012 through 2015. For the financial year 2014, the Company has recognized NOK 1,899,608 compared with NOK 2,386,000 in 2013. The amount was recognized partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.

## Note 10 - Property, plant and equipment

| GROUP                                              |                         |                      |                     |                                   |                           |                  |
|----------------------------------------------------|-------------------------|----------------------|---------------------|-----------------------------------|---------------------------|------------------|
| Year ended<br>31 December 2014                     | Laboratory<br>equipment | Software<br>licences | Office<br>equipment | Permanent<br>building<br>fixtures | Furniture<br>and fittings | Total            |
| Cost at 1 January 2013                             | 248 931                 | 0                    | 297 716             | 1 361 089                         | 61 247                    | 1 968 983        |
| Additions in the year                              | 254 924                 | 424 015              | 308 288             | 254 116                           | 341 099                   | 1 582 442        |
| Disposals in the year                              | 0                       | 0                    | 0                   | 0                                 | 0                         | 0                |
| Cost at 31 December 2014                           | 503 855                 | 424 015              | 606 004             | 1 615 205                         | 402 346                   | 3 551 425        |
| Accumulated depreciation at<br>1 January 2014      | 170 419                 | 0                    | 149 770             | 1 294 222                         | 18 623                    | 1 633 034        |
| Depreciation in the year                           | 45 032                  | 0                    | 151 686             | 56 120                            | 92 557                    | 345 395          |
| Accumulated depreciation at<br>31 December 2014    | 215 451                 | 0                    | 301 456             | 1 350 342                         | 111 180                   | 1 978 429        |
| <b>Net carrying amount at<br/>31 December 2014</b> | <b>288 404</b>          | <b>424 015</b>       | <b>304 548</b>      | <b>264 863</b>                    | <b>291 166</b>            | <b>1 572 996</b> |
| Estimated useful life                              | 3 - 5 years             | 3 years              | 2-3 years           | 2-5 years                         | 3 years                   |                  |
| Depreciation method                                | straight-line           | straight-line        | straight-line       | straight-line                     | straight-line             |                  |
| Year ended<br>31 December 2013                     | Laboratory<br>equipment | Software<br>licences | Office<br>equipment | Permanent<br>building<br>fixtures | Furniture<br>and fittings | Total            |
| Cost at 1 January 2013                             | 189 871                 | 0                    | 145 096             | 1 294 223                         | 43 516                    | 1 672 706        |
| Additions in the year                              | 59 060                  | 0                    | 152 620             | 66 866                            | 17 731                    | 296 277          |
| Disposals in the year                              | 0                       | 0                    | 0                   | 0                                 |                           | 0                |
| Cost at 31 December 2013                           | 248 931                 | 0                    | 297 716             | 1 361 089                         | 61 247                    | 1 968 983        |
| Accumulated depreciation at<br>1 January 2013      | 105 484                 | 0                    | 115 783             | 1 171 353                         | 3 626                     | 1 396 246        |
| Depreciation in the year                           | 64 935                  | 0                    | 33 987              | 122 869                           | 14 997                    | 236 788          |
| Accumulated depreciation at<br>31 December 2013    | 170 419                 | 0                    | 149 770             | 1 294 222                         | 18 623                    | 1 633 034        |
| <b>Net carrying amount<br/>at 31 December 2013</b> | <b>78 512</b>           | <b>0</b>             | <b>147 946</b>      | <b>66 867</b>                     | <b>42 624</b>             | <b>335 949</b>   |
| Estimated useful life                              | 3 years                 | N/A                  | 2 years             | 2 years                           | 3 years                   |                  |
| Depreciation method                                | straight-line           |                      | straight-line       | straight-line                     | straight-line             |                  |

All the fixed assets in the Group are owned by Nordic Nanovector ASA, thus the disclosure for Nordic Nanovector ASA is identical to the disclosure for the Group. Cost related to research and development is expensed.

Expenses for research and development for the financial year 2014 is NOK 42.5 million whereas, NOK 31.1 million is classified as other operating expenses and NOK 11.4 million is classified as payroll.

In 2013 the research and development costs was NOK 17.7 million whereas NOK 12.8 million and NOK 4.9 million was classified as other operating expenses and payroll respectively.

The Group has not entered into any arrangements that are classified as finance leases. The following arrangements are classified as operating leases:

The Company rents premises in Oslo for office and laboratory purposes under two rental agreements (one for 1,075 square meters and one for 350 square meters). The Company will in addition to this amount be charged for a proportionate share of common variable costs related to building management.

The rental agreement for the 350 square meters expires on 31 December 2015. The rental agreements may not be terminated during the rental period. The Company has the right to extend the rental agreements with three years. A part of the rented area is shared with a third party as an incubator service. The third party is a company controlled by Roy H. Larsen, who is a Board member and a shareholder of the Company.

The annual rental amount for this space is NOK 455,500. The rental agreement also includes parking and basement storage (limited), at NOK 86,256 p.a. The annual rental amount for the additional office and laboratory space is NOK 1,380,000. The Company will in addition to this amount be charged for a proportionate share of common costs related to building management (variable).

The Company has an option to renew the arrangement for 3 years at the time, under the same conditions as currently entered into, but adjusted to market rent.

The Group rents office premises (26 sqm) in Zug, Switzerland. The annual rental amount for this space is NOK 467,625.

|                                                                                                       | Expiry date |
|-------------------------------------------------------------------------------------------------------|-------------|
| Third floor office/laboratory space (sub-leased from January 2014) and basement storage, Oslo, Norway | 31.12.2015  |
| Fourth floor office/laboratory space (from January 2014), Oslo, Norway                                | 31.12.2019  |
| Office space (from October 2014), Zug, Switzerland                                                    | 30.09.2015  |

The Group also rents office machines, primarily printers and photocopiers. Annual rental amount in 2014 is NOK 82,740 (2013: NOK 27,015). No impairment loss has been recognized in 2014 or 2013.

| Future minimum rental payable under non-cancellable operating leases as of 31 December are as follows: |                  |                  |                  |                  |
|--------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| ASA                                                                                                    |                  |                  | GROUP            |                  |
| 2013                                                                                                   | 2014             |                  | 2014             | 2013             |
| 557 765                                                                                                | 2 004 496        | Within 1 year    | 2 351 719        | 557 765          |
| 589 283                                                                                                | 5 850 960        | Within 1-5 years | 5 850 960        | 589 283          |
| 0                                                                                                      | 0                | Over 5 years     | 0                | 0                |
| <b>1 147 048</b>                                                                                       | <b>7 855 456</b> | <b>Total</b>     | <b>8 202 679</b> | <b>1 147 048</b> |
| Minimum lease payments recognized as an operating lease expense:                                       |                  |                  |                  |                  |
| 2013                                                                                                   | 2014             |                  | 2014             | 2013             |
| 680 543                                                                                                | 1 764 190        |                  | 1 889 751        | 680 543          |

## Note 11 - Auditor's fee

Fees to auditors (exclusive of VAT) for the year ended 31 December are as follows:

| ASA           |                |                                  | GROUP          |               |
|---------------|----------------|----------------------------------|----------------|---------------|
| 2013          | 2014           |                                  | 2014           | 2013          |
| 31 000        | 80 000         | Audit services                   | 80 000         | 31 000        |
| 45 700        | 272 331        | Other attestation services       | 272 331        | 45 700        |
| 0             | 455 051        | Tax services                     | 455 051        | 0             |
| 0             | 0              | Other non-audit related services | 0              | 0             |
| <b>76 700</b> | <b>807 382</b> | <b>Total</b>                     | <b>807 382</b> | <b>76 700</b> |

## Note 12 - Financial income and expense

The Group's finance income largely relates to interest received on bank deposits.

| ASA              |                  |                                            | GROUP            |                  |
|------------------|------------------|--------------------------------------------|------------------|------------------|
| 2013             | 2014             | Finance income                             | 2014             | 2013             |
| 11 657           | 15 110           | Interest income on tax repaid              | 15 110           | 11 657           |
| 1 193 863        | 4 660 454        | Interest income on bank deposits           | 4 660 454        | 1 193 863        |
| 1 364            | 320 716          | Other finance income                       | 367 333          | 1 364            |
| <b>1 206 884</b> | <b>4 996 280</b> | <b>Total finance income</b>                | <b>5 042 897</b> | <b>1 206 884</b> |
| 2013             | 2014             | Finance expense                            | 2014             | 2013             |
| 106 301          | 0                | Interest on convertible loan <sup>1)</sup> | 0                | 106 301          |
| 0                | 0                | Other interest expense                     | 0                | 0                |
| 410              | 132              | Other fees and charges                     | 2 208            | 410              |
| <b>106 711</b>   | <b>132</b>       | <b>Total finance expense</b>               | <b>2 208</b>     | <b>106 711</b>   |
| <b>1 100 173</b> | <b>4 996 148</b> | <b>Net financial income</b>                | <b>5 040 689</b> | <b>1 100 173</b> |

- 1) Interest on convertible loan in 2013 is interest paid to shareholders on the convertible loan issued in April 2013 before this was converted to share capital in July 2013. Interest is charged at 10 % p.a. (also refer to note 17 share capital and shareholder information). The accrued interest was part of the amount converted to shares.

All finance income and finance expense are related to financial assets and financial liabilities carried at amortized cost.

## Note 13 - Income tax

The Group is in the research phase of its product development and has incurred significant tax losses related to its operations. The Company has a total tax loss carried forward of NOK 127,087,292 at 31 December 2014. At 31 December 2013 the total tax loss carried forward was NOK 48,813,621. The tax losses can be carried forward indefinitely. However, the Company has not recognized a deferred tax asset in the statement of financial position as the Company does not consider that taxable income in the near term will sufficiently support the utilization of a deferred tax asset. No current or deferred tax charge or liability has been recognized for 2014 and 2013.

| The difference between income tax calculated at the applicable income tax rate and the income tax expense attributable to loss before income tax was as follows: |             |                                             |               |             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------------------------------|---------------|-------------|
| ASA                                                                                                                                                              |             |                                             | GROUP         |             |
| 2013                                                                                                                                                             | 2014        |                                             | 2014          | 2013        |
| -17 010 937                                                                                                                                                      | -62 759 330 | Loss before income tax                      | -63 628 911   | -17 010 937 |
| 28%                                                                                                                                                              | 27%         | Income tax rate                             |               |             |
| -4 763 062                                                                                                                                                       | -16 945 019 | Expected income tax expense/(benefit)       | -16 901 050   | -4 763 062  |
| -1 513 952                                                                                                                                                       | -4 119 027  | Tax effect on non-taxable income            | -4 119 027    | -1 513 952  |
| 33 037                                                                                                                                                           | 6 197       | Tax effect non-deductible expenses          | 6 197         | 33 037      |
| -21 883                                                                                                                                                          | -76 043     | Change in temporary differences             | -76 043       | -21 883     |
| 6 100 100                                                                                                                                                        | 21 133 892  | Change in deferred tax asset not recognized | 21 133 892    | 6 100 100   |
| 0                                                                                                                                                                | 0           | <b>Income tax expense for the year</b>      | <b>43 969</b> | <b>0</b>    |
| The tax effects of temporary differences and tax losses carried forward at 31 December are as follows:                                                           |             |                                             |               |             |
| 2013                                                                                                                                                             | 2014        |                                             | 2014          | 2013        |
| -84 131                                                                                                                                                          | -8 088      | Property, plant and equipment               | -8 088        | -84 131     |
| -13 179 678                                                                                                                                                      | -34 313 569 | Tax losses carried forward                  | -34 313 569   | -13 179 678 |
| 13 263 809                                                                                                                                                       | 34 321 657  | Deferred tax assets not recognized          | 34 321 657    | 13 263 809  |
| 0                                                                                                                                                                | 0           | <b>Deferred tax asset (liability)</b>       | <b>0</b>      | <b>0</b>    |
| As of 01.01.2014 the tax rate in Norway was reduced to 27%. Deferred tax assets as of 31.12.2013 have been calculated with a tax rate of 27%.                    |             |                                             |               |             |

## Note 14 - Earnings per share

| ASA          |              |                                                      | GROUP        |              |
|--------------|--------------|------------------------------------------------------|--------------|--------------|
| 2013         | 2014         |                                                      | 2014         | 2013         |
| -17 010 937  | -62 759 330  | Loss for the year                                    | -63 672 880  | -17 010 937  |
| 8 841 219    | 17 964 454   | Average number of outstanding shares during the year | 17 964 454   | 8 841 219    |
| <b>-1,92</b> | <b>-3,49</b> | <b>Earnings (loss) per share - basic and diluted</b> | <b>-3,54</b> | <b>-1,92</b> |

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

## Note 15 - Financial instruments and risk management objectives and policies

The Group's financial assets and liabilities comprise cash in banks, and various other financial assets and liabilities that originate from its operations. All financial assets and liabilities are carried at amortized cost. All financial assets and liabilities are short-term in nature and their carrying value approximates fair value.

The Group seeks to minimize financial risk by primarily financing its activities by issuing equity instruments. The Group does currently not use financial derivatives. The Group is subject to market risks (foreign currency risk and interest rate risk), credit risk and liquidity risk.

### Credit risk

The Nordic Nanovector Group is primarily exposed to credit risk associated with accounts receivable and other current receivables. The Group has only revenues from incubator services with related parties. The Nordic Nanovector Group has not suffered any loss on receivables during 2014. Other current receivables consists mainly of grants receivables from the governmental institutions Research Council and SkatteFunn, and rental deposits deposited in bank. The Group considers its credit risk as low.

### Liquidity risk

The Group monitors its cash flow from both long- and short-term perspectives through planning and reporting. The Nordic Nanovector Group does not have any loan agreements that involve covenants or other financial requirements. The Company raised NOK 300 million in a private placement in June 2014 and a following repair issue in September 2014. The available cash should support execution of main R&D and pre-commercialization strategy until end of 2016. The cash position of the Nordic Nanovector Group at year end 2014 was NOK 337.0 million, compared to NOK 79.6 million in 2013.

### Interest rate risk

The Nordic Nanovector Group has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which affects the financial income and the return on cash. Nordic Nanovector ASA had NOK 5.1 million and the Group had NOK 5.0 million in financial income as of 31 December 2014.

### Foreign currency risk

The value of non-Norwegian currency denominated revenues and 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 research expenses. The Group is mainly exposed to fluctuations in euro (EUR), pounds sterling (GBP), US dollar (USD) and Swiss franc (CHF).

| Currency | Strengthening/weakening | Gain/Loss 2014 | Gain/Loss 2013 |
|----------|-------------------------|----------------|----------------|
| EUR      | +/- 10%                 | 1 535 823      | 303 035        |
| GBP      | +/- 10%                 | 224 577        | 31 533         |
| USD      | +/- 10%                 | 291 522        | 24 272         |
| CHF      | +/- 10%                 | 587 274        | -              |

The Nordic Nanovector Group's cash reserves are deposited in NOK and CHF.

## Capital management

The Board of Directors' goal is to maintain a strong capital base in order to preserve the confidence of investors, creditors and to develop business activities.

## Non-financial risks

### Technology risk

The Company is in an early stage of development and the Company's clinical studies may not prove to be successful

The development of pharmaceuticals involves significant risks, and failure may occur at any stage during development and after marketing approvals have been received, due to safety or clinical efficacy issues.

### Competitive technology

The Company operates in a highly competitive industry

The biotechnology and pharmaceutical industries are highly competitive with many large players and subject to rapid and substantial technological change. Betalutin™ may not gain the market acceptance required to be profitable even if Nordic Nanovector ASA successfully complete initial and final clinical trials and receive approval for sale by the relevant regulatory authorities.

### Market risks

The financial success of Nordic Nanovector ASA requires obtaining acceptable price and reimbursement

There can be no guarantee that the Betalutin™ will obtain the selling prices or reimbursement levels foreseen by the Company. If actual prices and reimbursement levels granted to the Company's products happen to be lower than anticipated, it might have a negative impact on the products' profitability and/or marketability.

Obtaining regulatory approvals is required for commercialization of the Nordic Nanovector's products

The Company will need approvals from the US Food and Drug Administration (FDA) to market in the US, and from the European Medicines Agency (EMA) to market in Europe, as well as equivalent regulatory authorities in other foreign jurisdictions to commercialize in those regions. The Company's future earnings are likely to be largely dependent on the timely approval of Betalutin™ for various indications. No assurances can be given with respect to obtaining such approvals or the timing thereof.

## Note 16 - Cash and cash equivalents

| ASA               |                    |                                        | GROUP              |                   |
|-------------------|--------------------|----------------------------------------|--------------------|-------------------|
| 2013              | 2014               |                                        | 2014               | 2013              |
| 353 041           | 826 910            | Employee withholding tax               | 826 910            | 353 041           |
| 322 707           | 0                  | Deposit, office lease                  | 0                  | 322 707           |
| 20 004 684        | 29 999 850         | Fixed rate bank deposit                | 29 999 850         | 20 004 684        |
| 58 888 570        | 305 220 663        | Variable rate bank accounts            | 306 191 417        | 58 888 570        |
| <b>79 569 002</b> | <b>336 047 423</b> | <b>Total cash and cash equivalents</b> | <b>337 018 177</b> | <b>79 569 002</b> |

Of the total balance in cash and cash equivalents, NOK 826,910 (2013: NOK 353,041) relates to restricted funds for employee withholding taxes. In 2014, deposit office lease of NOK 1,341,019 is classified as other current receivables.

NOK 20 million is deposited from 18 August 2014 to 18 February 2015 with a fixed interest rate of 2.5%. Usage of these funds prior to the maturity date would incur a 2 % fee, calculated based on the principal amount. NOK 10 million is deposited from 8 July 2014 to 23 June 2015 with a fixed interest rate of 2.9%. Usage of these funds prior to the maturity date would incur NOK 3,000 in fee, calculated based on the principal amount. The remainder of the Group's cash is deposited in various banks on variable rate terms.

## Note 17 - Other current receivables

| ASA              |                  |                                  | GROUP            |                  |
|------------------|------------------|----------------------------------|------------------|------------------|
| 2013             | 2014             |                                  | 2014             | 2013             |
| 4 626 125        | 2 831 832        | Government grants                | 2 831 832        | 4 626 125        |
| 1 038 997        | 887 351          | Refundable VAT                   | 923 909          | 1 038 997        |
| 316 935          | 745 648          | Prepaid expenses                 | 909 038          | 316 935          |
| 79 561           | 263 587          | Accrued interest income          | 263 587          | 79 561           |
| 11 340           | 2 112 858        | Other receivables                | 2 147 599        | 11 340           |
| <b>6 072 958</b> | <b>6 841 276</b> | <b>Other current receivables</b> | <b>7 075 966</b> | <b>6 072 958</b> |

Other current receivables is mainly related to deposit for office leases and prepaid expenses.

## Note 18 - Share capital and shareholder information

Share capital as at 31 December 2014 is NOK 5,310,058 (2013: 2,214,942), being 26,550,291 ordinary shares at a nominal value of NOK 0.20 each (2013: 11,074,708 shares at NOK 0.20 each). All shares carry equal voting rights.

| The movement in the number of shares during the year was as follows: |                   |                   |
|----------------------------------------------------------------------|-------------------|-------------------|
|                                                                      | ASA               |                   |
|                                                                      | 2014              | 2013              |
| Ordinary shares at 1 January                                         | 11 074 708        | 6 386 340         |
| Issue of ordinary shares <sup>1)</sup>                               | 13 683 916        | 4 315 576         |
| Issue of ordinary shares under share options <sup>2)</sup>           | 125 000           | 71 664            |
| Issue of ordinary shares from conversion of loan <sup>3)</sup>       | 1 666 667         | 301 128           |
| <b>Ordinary shares at 31 December</b>                                | <b>26 550 291</b> | <b>11 074 708</b> |

- 1) In July, 10,000,000 shares were subscribed for in a private placement among existing shareholders and new institutional investors at a share price of NOK 25 per share for total gross proceeds of NOK 250 million. In September, 2,000,000 shares were subscribed for in the subsequent repair offering at a share price of NOK 25 per share for a gross proceeds of NOK 50 million.

HealthCap VI L.P. subscribed in October for 1,666,666 shares at a share price of NOK 15. This transaction was a fulfilment of investment from September 2013.

At the Extraordinary General Meeting held on 12 November 2014 it was resolved that each Board Member should have the right to receive the remuneration in cash, or wholly or partly in the form of shares. The shares were subscribed to at nominal value of NOK 0.20 each and the number of shares to be issued was determined on the basis of the then prevailing market price of NOK 30 per share (i.e. a discount of NOK 29.80 per share). A total of 17,250 shares were subscribed for.

- 2) In February, employees exercised 80,000 share options. The Shares were subscribed at a price of NOK 6.75 (60,000 shares) and NOK 6.5 (20,000 shares). In October one employee exercised 5,000 share options at a price of NOK 6.75, and in December one employee exercised 40,000 share options at a price of NOK 6.50.
- 3) HealthCap VI L.P. converted in May 2014 a convertible loan in the amount of NOK 25,000,005 made available to the Company pursuant to the subscription agreement entered into on 26 September 2013 and the resolution made by the General Meeting on the same date. The conversion price for the convertible loan was NOK 15, and the Company issued 1,666,667 new shares to HealthCap VI L.P.

|    | Shareholders                                | Number of shares  | Percentage share of total shares |
|----|---------------------------------------------|-------------------|----------------------------------|
| 1  | HealthCap VI L.P.                           | 5 133 333         | 19,33%                           |
| 2  | Sciencons Ltd. (Roy Hartvig Larsen)         | 1 162 000         | 4,38%                            |
| 3  | Inven2                                      | 1 091 675         | 4,11%                            |
| 4  | Arctic Funds PLC                            | 960 000           | 3,62%                            |
| 5  | Storebrand Vekst                            | 884 438           | 3,33%                            |
| 6  | Linux Solutions Norge AS                    | 832 306           | 3,13%                            |
| 7  | Radiumhospitalets Forskningsstiftelse       | 728 518           | 2,74%                            |
| 8  | Roy Hartvig Larsen                          | 593 949           | 2,24%                            |
| 9  | Portia AS                                   | 500 000           | 1,88%                            |
| 10 | Must Invest                                 | 469 142           | 1,77%                            |
| 11 | Verdipapirfondet Storebrand Optima          | 441 572           | 1,66%                            |
| 12 | Storebrand Norge                            | 366 000           | 1,38%                            |
| 13 | OM Holding AS                               | 310 000           | 1,17%                            |
| 14 | Canica AS                                   | 300 000           | 1,13%                            |
| 15 | Miniaste AS                                 | 300 000           | 1,13%                            |
| 16 | Holberg Norge                               | 292 775           | 1,10%                            |
| 17 | Birk Venture AS                             | 282 527           | 1,06%                            |
| 18 | Varak AS                                    | 274 681           | 1,03%                            |
| 19 | Jostein Dahle                               | 268 358           | 1,01%                            |
| 20 | Pactum AS                                   | 260 000           | 0,98%                            |
|    | <b>Total shares for top 20 shareholders</b> | <b>15 451 274</b> | <b>58,20%</b>                    |
|    | Total shares for other 515 shareholders     | 11 099 017        | 41,80%                           |
|    | <b>Total shares (535 shareholders)</b>      | <b>26 550 291</b> | <b>100,00%</b>                   |

The shares of Nordic Nanovector ASA have been traded on the NOTC since July 2014 and the shareholder base has increased from 239 shareholders as of 31 December 2013 to 535 shareholders as of 31 December 2014.

## Note 19 - Other current liabilities

| ASA              |                  |                                  | GROUP            |                  |
|------------------|------------------|----------------------------------|------------------|------------------|
| 2013             | 2014             |                                  | 2014             | 2013             |
| 576 473          | 1 575 552        | Unpaid duties and charges        | 1 863 882        | 576 473          |
| 689 955          | 1 177 953        | Unpaid vacation pay              | 1 177 953        | 689 955          |
| 1 471 776        | 5 418 155        | Other accrued costs              | 6 184 618        | 1 471 776        |
| <b>2 738 204</b> | <b>8 171 660</b> | <b>Other current liabilities</b> | <b>9 226 453</b> | <b>2 738 204</b> |

## Note 20 - Information about subsidiaries

| The consolidated financial statements of the Group include: |                          |            |                   |      |
|-------------------------------------------------------------|--------------------------|------------|-------------------|------|
| Name                                                        | Country of incorporation | Book value | % Equity interest |      |
|                                                             |                          |            | 2014              | 2013 |
| Nordic Nanovector GmbH                                      | Switzerland              | 136 936    | 100               | NA   |
| Nordic Nanovector Ltd                                       | United Kingdom           | 0          | 100               | NA   |

Nordic Nanovector ASA is a public limited company incorporated and domiciled in Norway. The Company is the parent Company in the Group. The Group's operations are carried out by the Company and its wholly-owned subsidiaries Nordic Nanovector GmbH and Nordic Nanovector Ltd. Nordic Nanovector GmbH is incorporated in Zug, Switzerland, with its registered address at Dammstrasse 19, Zug, Switzerland. Nordic Nanovector Ltd is incorporated in London, England, with its registered address at 42 New Broad Street, London, EC2M 1JD United Kingdom.

There has been no activity in Nordic Nanovector Ltd in 2014.

## Note 21 - Events after the reporting date

On 7 January 2015, certain allocation of share options to management and other employees were made. See note 6 and 7.

29 January 2015, the Board of Directors of Nordic Nanovector ASA has submitted an application for listing of its shares on the Oslo Stock Exchange. Completion of the initial public offering (the "IPO") will be subject to receiving the relevant approvals from the Oslo Stock Exchange as well as the prevailing equity capital market conditions. Pre-marketing of the IPO is expected to commence during the first quarter of 2015.

## Auditor's report



Statsautoriserte revisorer  
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo  
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 380 387 MVA  
Tlf: +47 24 00 24 00  
Fax: +47 24 00 29 01  
www.ey.no  
Medlemmer av den norske revisorforening

To the Annual Shareholders' Meeting of  
Nordic Nanovector ASA

### AUDITOR'S REPORT

#### Report on the financial statements

We have audited the accompanying financial statements of Nordic Nanovector ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2014, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors' and Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

## Auditor's report continued



2

### *Opinion*

In our opinion, the financial statements of Nordic Nanovector ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

### **Report on other legal and regulatory requirements**

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

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

#### *Opinion on registration and documentation*

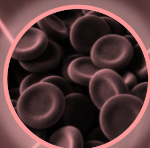
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 23 February 2015

ERNST & YOUNG AS



Tommy Romskaug  
State Authorised Public Accountant (Norway)



#### **Headoffice**

##### **Nordic Nanovector ASA**

Kjelsåsveien 168 B

0884 Oslo

Norway

Phone: (+47) 22 18 33 01

Fax: (+47) 22 58 00 07

E-mail: [mail@nordicnanovector.com](mailto:mail@nordicnanovector.com)

#### **Subsidiaries**

##### **Nordic Nanovector GmbH**

Dammstrasse 19

6301 Zug

Switzerland

Phone: (+41) 41 723 27 30

E-mail: [mail@nordicnanovector.com](mailto:mail@nordicnanovector.com)

##### **Nordic Nanovector Ltd.**

United Kingdom

E-mail: [mail@nordicnanovector.com](mailto:mail@nordicnanovector.com)

**[www.nordicnanovector.com](http://www.nordicnanovector.com)**



**NORDIC  
NANOVECTOR**