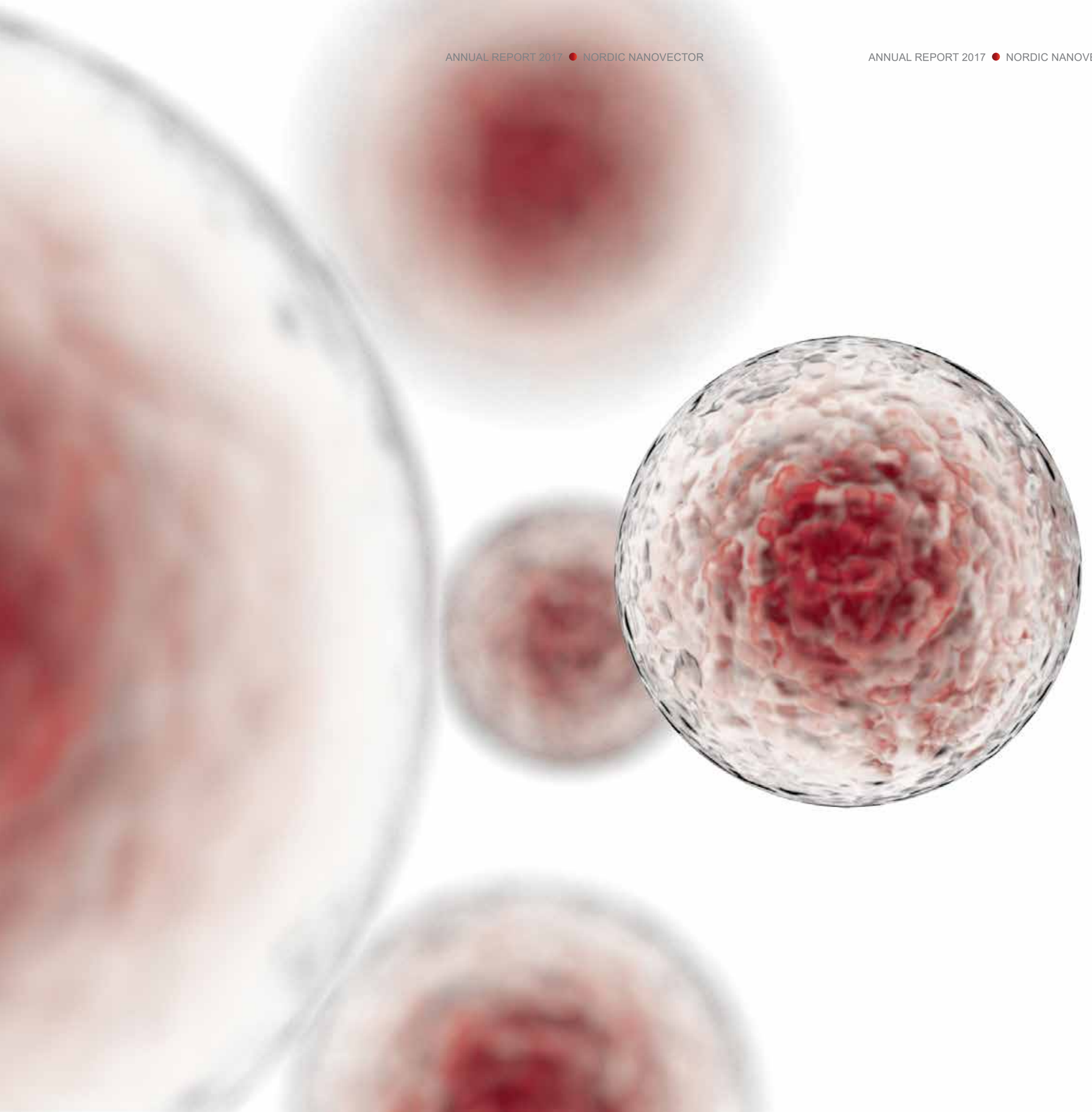
Annual Report **2017**

NORDIC NANOVECTOR



ANNUAL REPORT 2017 ● NORDIC NANOVECTOR

Nordic Nanovector's mission is to extend and improve the lives of patients with haematological cancers by developing and commercialising innovative Antibody Radionuclide Conjugates (ARCs).

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Who we are

Nordic Nanovector is a biopharmaceutical company, dedicated to extending and improving the lives of patients with haematological cancers through the development and commercialisation of innovative precision therapies.

We believe that innovation drives value creation and we attempt to incorporate original and diverse thinking into our development and business strategies.

The company is committed to building a pipeline of novel Antibody Radionuclide Conjugates (ARCs) and antibody drug conjugates (ADCs) addressing multiple selected haematological malignancies based on proprietary technologies and expertise, and with technologies from partners where complementary. Nordic Nanovector's lead clinical-stage product is Betalutin®, the first in a new class of ARCs designed to improve upon and complement current options for the treatment of non-Hodgkin's Lymphoma (NHL). NHL is an indication with substantial unmet medical need and orphan drug opportunities. Betalutin® is currently being evaluated for the treatment of relapsed/refractory follicular lymphoma (FL) and relapsed/refractory diffuse large B-cell lymphoma (DLBCL). These two types of cancers together account for 54-65 per cent of patients with NHL.

Nordic Nanovector was established in 2009, leveraging expertise in targeted cancer therapy from the Norwegian Radium Hospital, and has its main office and laboratories in Oslo, Norway. The company is listed on the Oslo Stock Exchange.

OUR STRATEGY

Nordic Nanovector is committed to developing, manufacturing and delivering innovative therapies that address major unmet medical needs and advance cancer care. The company aspires to become a leader in the development of precision therapies for haematological cancers. The strategic roadmap to realise this aspiration is:

- Primary focus on the clinical development of Betalutin® to achieve first regulatory filing in 3rd line FL, and in parallel to run additional trials in 2nd line FL with a combination of Betalutin® and rituximab.
- Establish a development and commercialisation plan for Betalutin® with the intent to deliver a differentiated target product profile that meets the requirements of both regulatory and reimbursement agencies, while achieving a strong and competitive market position.
- Leverage the company's proprietary technology and expertise to target challenging haematological cancers where the unmet medical need is high, such as NHL, acute myeloid leukaemia, chronic lymphocytic leukaemia and other B-cell malignancies, through focused investments in discovery research and strategic collaborations.
- Continue to reinforce the company's organisation by attracting key talent with strong technical and international experience, while maintaining flexibility and efficiency.

Nordic Nanovector aspires to become a leader in the development of precision therapies for haematological cancers.

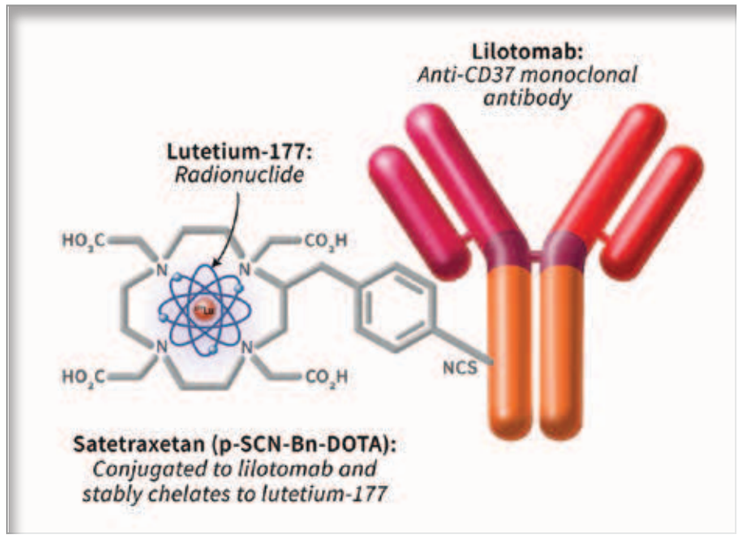
What we do

Nordic Nanovector is currently running clinical development programmes for Betalutin® in both FL and DLBCL. The company is also exploring several opportunities to expand its pipeline, leveraging the technological expertise in ARCs - in particular CD37-targeting ARCs/ADCs, the insights into haematological cancers as well as the clinical, regulatory and commercial platform that is being built for Betalutin®.

OUR TECHNOLOGY

Betalutin® is a next-generation radioimmunotherapy that targets CD37 antigen and is in development for the treatment of non-Hodgkin's Lymphoma.

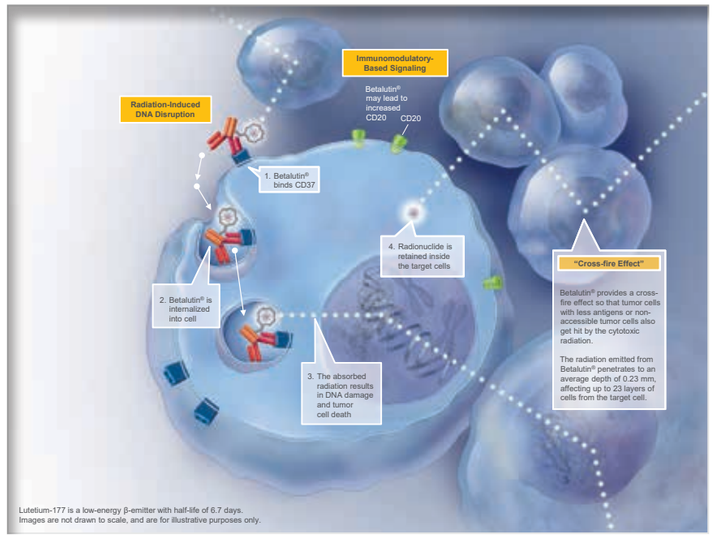
Results from the LYMRIT-37-01 Phase 1/2a study show promising preliminary safety, efficacy and durability of response in patients with relapsed/refractory indolent NHL (iNHL) and FL. Betalutin® has been specifically designed to provide a therapeutic option for patients who have become resistant to anti-CD20 therapies, which are widely used in NHL treatment. Betalutin® consists of the murine (mouse) antibody lilotomab, which targets the CD37 antigen on the surface of NHL cells, conjugated to the beta-emitting isotope lutetium-177 (177Lu) via the chemical linker p-SCN-Bn-DOTA. Betalutin® is also referred to as lutetium (177Lu) lilotomab satetraxetan.



Betalutin® consists of the radionuclide lutetium-177 conjugated to the B-cell seeking anti-CD37 antibody lilotomab.

KEY BENEFITS OF BETALUTIN® INCLUDE:

- Betalutin® targets CD37, a different antigen compared to other drugs currently used for NHL. CD37 is highly expressed by B-cells and in B-cell lymphoma. It provides an alternative therapeutic target for anti-CD37-based ARC therapies in recurrent lymphoma patients who do not respond to anti-CD20-based therapy (e.g. rituximab). The ^{177}Lu payload emits beta-particles with a mean range of approximately 0.25 millimetres. Betalutin® causes tumour cell death through irreversible DNA breaks, inhibition of tumour cell division and apoptosis. Targeting this activity to CD37-expressing tumours and the limited range of the beta-particle emission minimises the impact on healthy cells.
- The beta-particle radiation facilitates a localised "multi-cell kill" mechanism of action (also called the "crossfire effect"), which enhances the destruction of malignant cells within a tumour mass that may not highly express CD37 antigens or have limited blood supply. This represents a significant advantage over the single-cell kill effect of other immunotherapy approaches (monoclonal antibodies and ADCs).
- The half-life of ^{177}Lu (6.7 days) matches the time required for maximal uptake of lilotomab in tumours.
- Betalutin® is prepared as a ready-to-use formulation that is administered as a single injection in an outpatient setting, with no radiolabelling needed at the treatment centre.



The figure shows the mechanism of action for Betalutin®.

Therapeutic areas

Nordic Nanovector develops innovative anticancer therapeutics for haematological cancers, such as non-Hodgkin's Lymphoma and leukaemia.

NON-HODGKIN'S LYMPHOMA

Non-Hodgkin's Lymphoma (NHL) is the most common type of blood cancer and the 10th most common cancer overall, accounting for 4.3 per cent of all cancers and 3.2 per cent of all cancer deaths. In the US and the five most populated EU countries approximately 150 000 NHL prevalent patients on active treatment.

NHL is divided into two sub-groups, indolent and aggressive lymphoma. Nordic Nanovector plans to evaluate Betalutin® for treatment of both indolent (e.g. FL) and aggressive (e.g. DLBCL) NHL.

Follicular lymphoma (FL) accounts for 17-22 per cent of all NHL cases, making it the most common type of indolent lymphoma and the second most common NHL overall. FL is an incurable disease characterised by alternating periods of remission and relapses. There is a need for effective new treatments with a more favourable toxicity profile than currently available therapies, particularly in elderly patients who have already failed many prior lines of therapy.

Diffuse large B-cell lymphoma (DLBCL) is an aggressive form of NHL that accounts for 37-43 per cent of all NHL cases and is the most common NHL sub-type. While this disease is curable, patients with relapsed DLBCL have a poor prognosis, with a median survival of ≤12 months for those who are not eligible for stem cell transplantation.

LEUKAEMIA

Nordic Nanovector is in discovery or preclinical phase for these indications.

Leukaemia is the third most common type of blood cancer and the most common type of cancer in children. Leukaemia begins in the bone marrow and results in a proliferation of cancerous white blood cells. It is a group of closely related cancers that are typically divided into two groups: chronic and acute leukaemia. Nordic Nanovector is evaluating its anti-CD37 antibody with different payloads for treatment of both types of leukaemia.

Chronic lymphocytic leukaemia (CLL) is the most common type of leukaemia. It develops in the bone marrow from lymphocyte precursor cells before migrating into the blood. Each year, approximately 21 000 patients in the US are diagnosed with CLL. Median progression-free survival in high-risk groups is between 18 and 30 months after frontline therapy, and less than 12 months in multiple-relapsed or refractory disease.

Acute myeloid leukaemia (AML) is diagnosed in about 13 000 people in the US every year. AML is often incurable with standard systemic therapy and relapse after stem cell transplantation continues to be a major problem.

Betalutin® targets CD37, a different antigen compared to other drugs currently used for NHL.

Letter from the chairman

Dear shareholders,

Nordic Nanovector made important progress during 2017 with a strong focus on advancing the clinical development programme for Belalutin® as a potential new treatment for non-Hodgkin's lymphoma (NHL). Clinical and commercial insights gained through the year has also enabled us to sharpen our strategic focus and develop a clear set of priorities for the next phase of our journey.

Supported by a solid foundation of promising clinical data, we ended 2017 by embarking on our first pivotal study, PARADIGME. This important global trial has been carefully designed to enable the selection of the best dosing regimen to support a regulatory filing for Betalutin® as a new treatment for third line follicular lymphoma patients (3L FL) who have failed on standard-of-care anti-CD20 immunotherapy. These patients have few, if any, remaining therapeutic options.

The clinical results presented through the year from the expanded Phase 1/2a LYMRIT 37-01 study clearly demonstrate that Betalutin® therapy has an attractive and competitive clinical profile – it appears to be efficacious, well-tolerated and as a single administration it is convenient and easy to use. The clinical results are very promising and suggest that Betalutin® could be superior to existing treatments in addressing a large unmet medical need in 3L R/R FL patients. We are aiming to report results from the fully recruited study at the American Society of Hematology annual meeting in December 2018. We are convinced that the potential of Betalutin® can be best realised through PARADIGME, a randomised clinical trial and were pleased to get this underway at the end of 2017 and expect the first patient to be dosed during the first half of 2018.

To develop a successful new cancer therapy, it is not only crucial to deliver positive clinical results, but also to have a clear understanding of the market need and the route to market. As we explained at our Capital Markets Day in November, we have undertaken intensive pre-commercialisation activities and market research in the US, engaging with an extensive base of clinical experts. This field research has provided valuable knowledge about the US healthcare environment with important customer insights and a deeper understanding of the underlying dynamics in the market.

The US represents the largest single healthcare market and is our priority target market for commercialising Betalutin® pending approval. It was particularly encouraging to learn that customers across all prioritised segments can clearly appreciate Betalutin®'s range of benefits and the value it can deliver to the NHL space.

Though much of our focus was centred around Betalutin® in 3L FL, we continued to progress our clinical development programmes with Betalutin®. We progressed the Phase 1 study with Betalutin® in diffuse large B-cell lymphoma, an aggressive form of NHL, with the first read-out expected later in 2018. We also completed the design for ARCHER-1, a new clinical study to investigate the combination of Betalutin® and rituximab in second line FL patients, and expect the first patients to be dosed in the second half of 2018.

We also made progress getting ready for the first clinical trials with Humalutin®, our proprietary chimeric anti-CD37 Antibody-Radionuclide Conjugate, which presents further opportunities in NHL. However, we have now postponed the start of this trial for the foreseeable future following a re-focusing on resources to the core Betalutin® programmes, which we announced in April 2018.

We made the decision to re-focus resources based on a revision of the timelines for PARADIGME and the need to conserve cash until the read-out from this pivotal trial, which is now targeted to the first half 2020 (previously second half 2019). The timelines were revised based on a re-assessment of expected recruitment rates for the trial and the slower than anticipated recruitment of the first patient in Norway.

As we look ahead to 2018 and beyond, our main priority will be to manage and execute an effective, timely and successful pivotal trial for Betalutin® in 3L R/R FL, while also advancing our trials in the earlier lines of FL, as well as diffuse large B-cell lymphoma. In parallel, we will continue to put plans in place to ensure that our organisation is prepared and able to successfully commercialise Betalutin®.

I am convinced of our team's ability to deliver on the key strategic priorities, based on our core values centred around the patients' needs and our aspiration to become a leader in the field of targeted therapies for haematological cancers.

I would like to take this opportunity to thank Luigi Costa, who stepped down as CEO in April 2018, for all his hard work and enthusiasm in leading the company through its initial public offering in 2015 to the point where the company has a strong team and a clear plan to develop Betalutin® towards patients in need. A search for a new CEO started immediately. To ensure a smooth transition, Mr Costa has agreed to be available to the board until the end of July 2018.

I also extend my sincere thanks to shareholders for your continued support and look forward to continuing our efforts in creating value and benefit for society at large.

Ludvik Sandnes
Chairman of the board of directors

April 30th, 2018

The management

Lisa Rojkjaer, MD
Chief Medical Officer (CMO)

Dr Rojkjaer (52) is a board-certified haematologist with more than 15 years of expertise from global and regional clinical development and medical affairs in the biotech and pharma industries. She has extensive experience in the development of both biologics and small molecules in haematology and immunology. Previous positions include Global Clinical Program Head, Oncology Global Development at Novartis Pharmaceuticals, Chief Medical Officer at Molecular Partners, Vice President, Head of Clinical Development at Morphosys AG and Director of Clinical Development, Hematology in the US for Novo Nordisk. Dr Rojkjaer holds a medical degree from the University of Toronto and is board-certified in both internal medicine and haematology. She joined Nordic Nanovector in November 2016.

Marco Renoldi, MD
Chief Operating Officer (COO)

Dr Renoldi (61) has served as COO since June 2016. He joined Nordic Nanovector in November 2014 as Chief Business Officer from Shionogi, where he served as Senior Vice President and Chief Commercial Officer in the EMEA Office in London from July 2012 to October 2014. Prior to that he served as Executive Director and International Franchise Head, Oncology-Hematology at Amgen, where he also led the Italian affiliate as Managing Director. Prior to joining Amgen, Dr Renoldi held national, regional and global R&D and business positions at Novartis, Searle-Monsanto and Pharmacia. In his 30+ year industry experience, Dr Renoldi has developed product lines and businesses, including start-ups, at domestic and international levels. Dr Renoldi holds a medical degree from the University of Milan and an MBA from Fondazione IDI/Assolombarda.

Tone Kvåle
Chief Financial Officer (CFO) and Interim Chief Executive Officer

Ms Kvåle (48) has more than 20 years of experience from the biotech industry. She has been CFO of NorDiag (publicly listed company), Kavli Holding and Dynal Biotech, and she has held senior management positions at Invitrogen/Life Technologies/now Thermo Fisher (US). She currently serves as director of the board and chair of audit committee of Bonesupport AB. Ms Kvåle has a diploma in finance and administration from Harstad University College (1990). She has held the position of CFO in Nordic Nanovector since November 2012.

Jostein Dahle, PhD
Chief Scientific Officer (CSO)

Dr Dahle (45) has more than 20 years of experience in cancer research. He is one of the inventors of Betalutin® and founders of Nordic Nanovector. Dr Dahle has previously held the position of CSO of Nordic Nanovector and leader of the radioimmunotherapy group at Institute for Cancer Research at the Norwegian Radium Hospital. He has published more than 50 papers in the field of cancer and biotechnology. Dr Dahle holds an MSc in biophysics from the Norwegian University for Science and Technology in Trondheim (1995), a PhD in radiation biology from University of Oslo (2000) and he received post-doctoral training in UV-carcinogenesis in the department of radiation biology at the Norwegian Radium Hospital (2001-2004). Dr Dahle has been with the company since incorporation in 2008.

Anniken Hagen
Chief Technical and Operations Officer (CTOO)

Ms Hagen (55) has more than 25 years of experience from the pharmaceutical industry and extensive knowledge of radiopharmacy. Prior to joining Nordic Nanovector she was Head of QA at Oslo University Hospital (Norsk medisinsk syklotronsenter AS) and responsible for building facilities and QMS for GMP manufacturing of positron emission radiopharmaceuticals (PET). The organisation achieved manufacturing licence under her management and she was qualified person (QP) for the manufacturing activities. Previously, Ms Hagen worked at Algeta ASA as QC Manager and was also a part of the team compiling the quality dossier for IND application. She also has experience with cell-based drug delivery systems for, among others, anticancer therapeutics from Pronova Biomedical AS. Ms Hagen is a trained chemist and earned a cand.scient in radiochemistry from the University of Oslo. Ms Hagen joined Nordic Nanovector in June 2012.

Rita Dege
Chief Human Resources Officer (CHRO)

Ms Dege (51) has over 15 years of human resources and people development experience from global organisations and international start-ups. Before joining Nordic Nanovector she served as Head of Human Resources for the international environmental advisory firm Xyntéo AS. She also held senior positions with Wilh. Wilhelmsen ASA, the global maritime group, and with the international management consulting and advisory firms McKinsey & Company and The Performance Group AS. She holds a diploma in languages, business and finance from Euro Business and Language School, Germany. Ms Dege joined Nordic Nanovector in June 2015.

The management

Rosemarie Corrigan

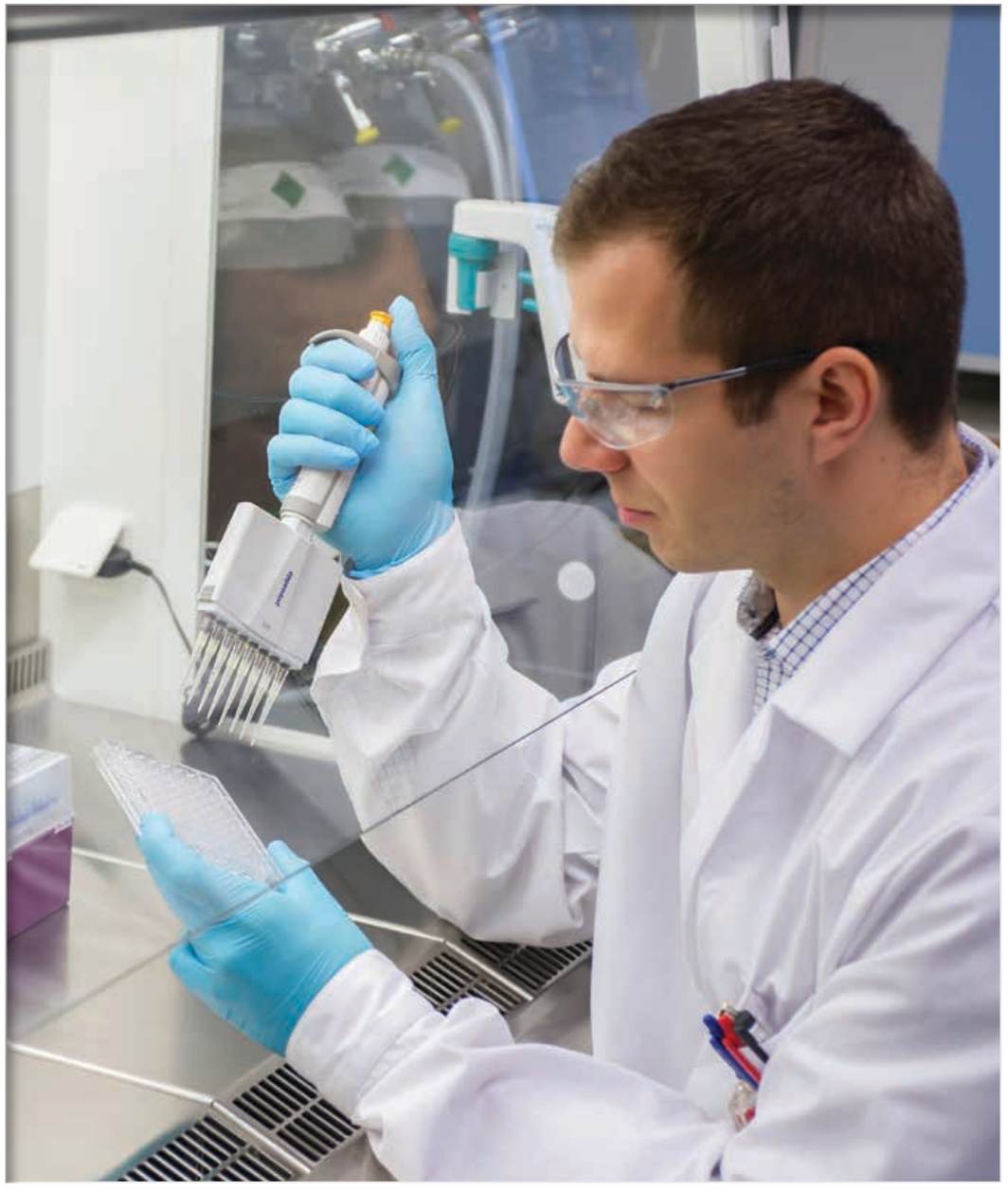
Chief Quality Officer (CQO)

Ms Corrigan (53) joined Nordic Nanovector in December 2017 as CQO. Ms Corrigan brings over 25 years of experience in global quality and compliance in GXP's, having worked at pharmaceutical, biotechnology and CRO organisations. Ms Corrigan was previously Global Head of Quality, and Alliance Manager at ThromboGenics, and former roles include, VP Quality Norgine, and Executive Director R&D QA, Stiefel, a GSK company. Ms Corrigan leads quality assurance and compliance at Nordic Nanovector. She holds a BSc, Diploma in Research QA, is currently completing an MA in Bioethics and Medical Law, and is a Fellow of the Royal Society of Biology, a Fellow of Research Quality Assurance and a IMP QP.

Malene Brondberg

Vice President Investor Relations and Corporate Communications (VP IR & CC)

Ms Brondberg (45) joined Nordic Nanovector in February 2018 as VP IR & CC. Ms Brondberg brings over 20 years' experience from roles as a sell-side healthcare analyst and as Global Head of Research and member of the Executive Committee at the Nordic investment bank ABG Sundal Collier. Since 2011, Ms Brondberg has worked as a management consultant within the financial sector, acting as an advisor in relation to investor relations and funding, and has held various interim management positions such as CEO, COO and Head of Compliance.



Compensation report and guidelines

INTRODUCTION

This compensation report summarizes the work of the compensation committee and the board of directors in relation to the determination of salaries and other benefits for the management team of Nordic Nanovector ASA ("Nordic Nanovector") and its subsidiaries and the company's compensation policy.

The board of directors has also prepared a formal statement regarding salaries and other remuneration of the management team pursuant to section 6-16a of the Norwegian Public Limited Companies Act (the "Statement") that is included in note 12 to the company's annual accounts. This Statement will be subject to a vote at the company's annual general meeting in 2018 (the "2018 AGM") as set out in the Statement.

COMPENSATION COMMITTEE

The compensation committee

The compensation committee comprises members of the board of directors.

The members of the committee are:

- Per Samuelsson – chair
- Joanna Horobin
- Ludvik Sandnes
- Hilde Hermansen Steineger

The board of directors with the assistance of the compensation committee determines the compensation policy as presented for decision by the annual general meeting of Nordic Nanovector. The committee is of the view that compensation practices must support the strategic aims of the business and enable the recruitment, motivation, and retention of senior executives in a competitive and international environment.

Nordic Nanovector's practices must take into account the views of regulatory and governance bodies and the expectations of shareholders and the wider employee population.
The board of directors determines the total compensation of the CEO.

The board of directors has final approval of the compensation of the management team, upon recommendation by the CEO and the compensation committee.

Committee activity

The compensation committee met seven times from the annual general meeting in 2017 (the "2017 AGM") until April 30th, 2018. From time to time, various members of the management team, as well as outside advisors, were invited by the compensation committee to make presentations, to provide financial or other background information or to otherwise contribute to the committee meetings. The CEO, the CFO, and the CHRO attended selected meetings, provided advice and assisted with specific queries. No member of the management team participated in any deliberations or determinations regarding their own compensation or individual achievement of objectives.

The following matters were covered by the committee during the year:

- Review of feedback received from shareholders regarding compensation practice and disclosure.
- Review of the overall compensation strategy and policies.
- Review of the market competitive positioning of the compensation for each member of the management team.
- Recommendation on the base salary increase of the CEO and a review of recommendations made by the CEO for the other members of the management team.
- Recommendation on fulfilment of objectives for 2017 and on cash bonuses for the management team.
- Recommendation on the grant of PSUs (Performance Share Unit) to the members of the management team.
- Review of the current Nordic Nanovector long term strategy and equity practices among the peer group companies.
- Review of the disclosure within the 2017 compensation report. The committee has acted to keep the transparency of the compensation report at a high level.

OVERVIEW OF THE COMPENSATION POLICY

The compensation policy

Nordic Nanovector seeks to entertain a performance oriented culture, where the individual achievement is clearly aligned with the company's overall strategic objectives. The company evaluates and rewards the management team based on their contributions to the achievement of the corporate priorities set early in the year. The performance of each member of the management team is reviewed on an annual basis.

From the 2017 AGM and until the 2018 AGM the following compensation principles were applied:

Principle	Summary
Market competitive compensation	Nordic Nanovector offers market competitive reward opportunities to enable the company to attract, retain, and motivate the talent needed to achieve our mission and business objectives. The company balances the need to provide market competitive levels of reward against a desire to be cost-effective when determining reasonable and responsible reward outcomes.
Pay for performance	An appropriate proportion of the reward package is performance-based to ensure reward is linked to the achievement of key financial and non-financial objectives with a balance of short and long-term performance components.
Transparency	Compensation programmes are designed and communicated in a manner that reinforces the linkage between Nordic Nanovector's business objectives, and its corporate culture.
Business alignment and consistency	Compensation decisions are made within a global framework to ensure local practices are aligned and consistent with our principles and policies. Our compensation practices will remain flexible enough to evolve as Nordic Nanovector's business priorities change.
Shareholder alignment	Nordic Nanovector's compensation programmes will align the long-term interests of all employees with those of our shareholders. The compensation programmes will also allow Nordic Nanovector's employees to share the success of the company.

Market comparison

Nordic Nanovector aims to attract and retain talented executives in a competitive market. The compensation committee believes it is important for the board of directors to be informed as to the current practices of comparable companies with which the company compete for talent when making compensation decisions. The compensation committee reviews market data for each executive's position, including information relating to the mix of elements and levels of compensation. During 2017, the compensation committee took independent advice from Deloitte LLP, UK. Deloitte advised the compensation committee and the company solely on the matter of executive compensation strategy and practices in European and US peer companies.

As part of its engagement, Deloitte was requested by the compensation committee to develop a comparative group of peer companies and to perform analyses of competitive performance and compensation levels for that group. To reflect Nordic Nanovector's international business, with the assistance of Deloitte, the compensation committee has selected to use a peer group consisting of European-based companies. In addition, a group of comparative US-based companies has been used for reference purposes. The constituents of the comparator groups are predominantly companies in mid- to late stage drug development phase. The size and scope of these comparators are, on average, comparable with Nordic Nanovector when it comes to e.g. organisation and market capitalisation. Larger companies have been included to reflect the company's medium term challenges in respect of attracting and retaining talent.

The details of the peer group constituents are:

Peer companies	
4 D Pharma	Hansa Medical
Ablynx	ImmuPharma
Adaptimmune Therapeutics	Innate Pharma
arGEN-X	Merus
Bavarian Nordic	Molecular Partners
BerGenBio	Oncopeptides
Cellectis	Silence Therapeutics
Celyad	Targovax
Circassia Pharmaceuticals	Wilson Therapeutics
Galapagos	Zealand Pharma

Some of the characteristics of the group of peer companies can be summarised in the following table:

Comparative factor	Minimum	Maximum	Median
Number of employees	9	550	69
Market capitalisation (MUSD)	112	5 091	554

Source: Deloitte

COMPENSATION POLICY FOR EACH ELEMENT

Based on the compensation policy described above, Nordic Nanovector's performance-based compensation programme primarily consists of three components: 1) base salary, 2) short term cash bonus and 3) long term equity award. The board of director's view is that these three components best align the interests of the management team with those of the company's shareholders. This alignment is achieved by keeping a substantial portion of the total compensation allocated to "at-risk" performance-based incentives through the use of short term and long term incentive compensation. An appropriate level and mix of compensation components are determined with independent and relevant compensation data as important input. The policy for each element of compensation is described below. This policy has been applied for the period from the 2017 AGM until the 2018 AGM and the board of directors proposes a continuation of this policy for the period from the 2018 AGM to the annual general meeting in 2019 (the "Period") as set out in the Statement.

Base salary

Base salaries for individual members of the management team are reviewed annually by the compensation committee and the board of directors. The salaries are set by taking into consideration the scope of the role, the level of experience of the individual, the geographical location of the role, internal relativity, and external economic environment. The review also makes reference to the mid-point of the market range for equivalent roles in peer companies.

The overall performance rating, employee potential, and current compensation market competitiveness will be combined to assess any proposed salary revision. The committee also takes into account subjective performance criteria, such as an individual's ability to lead, organise and motivate others.

Short term incentives: Annual cash bonus

The corporate priorities for each year are set by the board of directors and used as the annual objectives for the CEO. For the balance of the management team, a major part of the objectives replicate those of the CEO, with the remaining part representing objectives relevant to the individuals' area of responsibility.

The objectives for the management team are set by the CEO, based on principles defined by the board of directors. Following the end of the year, the level of performance achieved and the amount of bonus to be awarded the members of the management team is reviewed by the compensation committee, in discussion with the CEO, and approved by the board of directors.

The corporate priorities will change from year to year depending on the development of the business, as well as the overall strategic direction. In 2017, the annual cash bonus plan was based upon the following key priorities, selected from a number of categories critical to the continued growth of the business.

In 2017, the annual cash bonus plan was based upon the following key priorities:

Comparative factor	Objectives (examples of)
Execution of Betalutin® development plan	● Advancement of the clinical trial in FL ● Advancement of other clinical trials ● CMC (chemistry, manufacturing, and controls) objectives ● Publications in peer reviewed journals and at scientific conferences
Finance management	● Broaden base of shareholders ● Equity analyst coverage
Development of business and footprint	● Preclinical projects ● Betalutin® positioning and awareness outside Nordic Nanovector
Human resources	● Retention and recruitment

The corporate priorities include an additional performance level for the management team, one which is linked to stretch objectives. The stretch objectives require a superior level of performance to be achieved, far exceeding the level required for achieving the target objectives.

The annual bonus percentages shown below could be earned for achieving the target and stretch objectives. This policy will continue to apply for 2018.

The annual bonus percentages:

2017 annual bonus percentages	Target (% of base salary)	Maximum (% of base salary)
Chief Executive Officer	40%	60%
All other executives	25-30%	37.5-45%

The compensation committee may, at its discretion, review the operation of the annual cash bonus plan and make recommendations to the board of directors for approval. Any review will take into account the overall impact of the compensation package, the mix between fixed and variable pay, and the balance between short and long term performance measurement.

The compensation committee recommended and the board of directors approved that the achievement of the corporate priorities had reached 104 per cent of the target for 2017. With respect to achievements of objectives for 2017, the following bonus payments were made:

Bonus payments 2017:

	% of base salary
Chief Executive Officer	42%
All other executives (average)	29%

Long term incentives

The board of directors believes that equity awards create incentives for the management team to further develop and implement the company's long term strategic plan to create long term shareholder value. Equity awards also create an ownership culture, where the interests of the employees and the shareholders are aligned. The vesting requirements of the equity awards provides an incentive to the management team and employees to remain employed during the vesting period, thereby contributing to a valuable retention of management team members and key employees.

The company's long term equity incentive plan (the "EIP") approved at the extraordinary general meeting on December 20th, 2017 (the "EGM") is described below. The board of directors proposes a continuation of the EIP as further described below.

Eligibility

All employees, including new hire employees, will be eligible for an equity award under the EIP, on a discretionary basis, taking into account overall performance, work responsibility, importance of retention, organisation level and position. The EIP succeeds the company's option program which was approved by the company's annual general meetings in 2014, 2015 and 2016 (the "Option Program"). No further options will be granted under the Option Program. The options already issued remain valid with existing terms, and will not be affected by the EIP. For further information about the Option Program, see note 12 to the annual accounts of Nordic Nanovector ASA.

The board of directors will exercise discretion as to who will receive an equity award in any given year, based on recommendations made by the compensation committee.

The board of directors intends to grant awards under the EIP on an annual basis within the maximum size of the awards approved at the company's annual general meeting each year. The annual awards will normally be effected during the first quarter of the financial year following the financial year where the annual general meeting is held. Grants will also be made in connection with new recruitments.

None of the members of the management team and other employees is party to an employment agreement that provides for an automatic grant of equity incentives. Members of the board of directors will not be eligible to participate in the EIP.

General terms of the EIP

The EIP provides for the grant of performance share units (PSUs). PSUs will be granted by the board of directors to members of the management team and other employees, including new recruitments on a discretionary basis.

The PSUs will vest three years after the date of grant. Upon vesting, the holder of the PSUs will receive Nordic Nanovector ASA shares (if any), with the number of shares issuable determined by multiplying the number of PSUs granted by a factor of between 0 percent and 100 percent. Vesting of half of the granted PSUs will be determined by an Operational Factor and vesting of the other half will be determined by a Share Price Factor.

The Operational Factor shall be determined by the fulfilment of a selection of pre-defined operational objectives which are considered important for the creation of long term shareholder value. If all objectives are fulfilled the Operational Factor will be set at 100 percent, which will result in full vesting of half of the granted PSUs. Partial fulfilment will led to a partial or no vesting of half of the PSUs.

The Share Price Factor shall be determined by the development of the company's share price over a three year period using the volume weighted average share price for the 30 trading days immediately following the date of grant and the 30 trading days immediately preceding the third anniversary of the date of grant. Based on this measure, an increase in the share price by more than 60 percent will result in a Share Price Factor of 100 percent, which translates into full vesting of half of the PSUs. A share price increase of 20 percent will result in a Share Price Factor of 33 percent, which translates into vesting of 33 percent of the half of the PSUs. Share price increases between 20 and 60 percent will result in a Share Price Factor between 33 and 100 percent, calculated linearly. Share price increases below 20 percent will result in a Share Price Factor of 0 percent, which will result in half of the PSUs not vesting.

Upon vesting of PSUs the holder of the PSUs will have a right to subscribe for one new share in the company for each vested PSU, at a subscription price per share corresponding to the par value of the company's shares.

If the PSU holder resigns or is summary dismissed all unvested PSUs will lapse. If the PSU holder is dismissed all unvested PSUs will laps unless the board of directors decide otherwise. In the event of any share split, combination of shares, dividend payment or other distribution in cash above a certain threshold, rights issue or repair issue standard adjustments will be made. If the PSUs are not replaced with a substitute incentive program or cash settled in full, the PSUs will vest in full in the event of a change of control (as defined in the PSU agreements), a demerger or a merger where the Company is not the surviving entity ("Merger"). In case of a change of control (as defined in the PSU agreements) or a Merger all unvested PSUs shall vest in full if, within 18 months following the completion of such event, the PSU holder's employment is terminated other than for cause as defined in the employment agreement (the "Double Trigger"). The PSU holders are not required to accept a substitute incentive program unless it contains a Double Trigger clause.

Share ownership guidelines

The Board believes that the management team of the Company should own shares in the Company to further align their interests with the long-term interests of shareholders and further promote the Company's commitment to sound corporate governance.

The CEO will be expected to hold a number of shares representing a market value equal to three times the CEO's annual base salary. The other members of the management team will be expected to hold a number of shares representing a market value equal to between one and two times their respective base salary.

Unless a member of the management team has satisfied his or her applicable level of share ownership, he or she is expected to retain an amount equal to 50 percent of the shares received (number of shares remaining after sale of shares to pay any applicable exercise price and tax obligations) as the result of the exercise of any equity awards granted to him or her. Each member of the management team is expected to satisfy his or her applicable level of share ownership within five years calculated from 1 January 2018 for existing members of the management team, and within five years calculated from the date of employment for new members of the management team.

Current authorisation

The EGM approved the EIP and authorised the board of directors to grant maximum 500 000 PSUs during the period from the EGM to the 2018 AGM, with a maximum of 50 000 PSUs to holders of options under the Option Program on an individual basis. Pursuant to the authorisation granted at the EGM the board of directors has granted 231 550 PSUs (which of 30 000 lapsed April 4th) which are secured by a corresponding number of free-standing warrants as further described in note 12 and note 23 to the annual accounts of Nordic Nanovector ASA.

New authorisation for the Period

As set out in the Statement the board of directors proposes that the shareholders authorise the board of directors to grant a maximum number of 600 000 PSUs under the EIP during the Period, and that the number of PSUs granted to employees during the Period holding options under the Option Program shall not exceed 50 000 PSUs on an individual basis. If 1) the maximum number of PSUs are granted, and if 2) the operational objectives are fulfilled to 100 percent and if 3) the Company's share price increases by more than 60 per cent during the vesting period, this would create 1.1% dilution of the outstanding shares calculated on a fully diluted basis.

The final allocation of PSUs will be determined, and reviewed, on the basis of market competitiveness of the equity component of the compensation package and the overall size of the authorisation granted at the 2018 AGM.

The board of directors further proposes that the shareholders at the 2018 AGM resolves to issue free-standing warrants to employees being awarded PSUs in the Period. The sole purpose of the free-standing warrants is to ensure delivery of shares in the company upon exercise of the PSUs and the free-standing warrants will not give the PSU holders a right to subscribe for any additional shares in the company.

Pension

Nordic Nanovector ASA in Norway has a defined contribution pension scheme. The company is exceeding the statutory contribution of 2 per cent and sets up 5 per cent of the annual salary between 0G and 7.1G; and 8 per cent of the annual salary between 7.1G and 12G for each employee. "G" is the National Insurance Basic Amount set by the Norwegian Government each year. There are no contributions made for salaries exceeding 12G.

Nordic Nanovector GmbH in Switzerland has a pension scheme with the requirements of the Swiss Federal Social Insurance Legislation (BSV). Depending on the employee's age, the total contribution, which is split between the employee and the company, is between 7 per cent and 18 per cent of the annual salary.

Nordic Nanovector Ltd has for 2018 enrolled the statutory defined contribution pension scheme which is split between the employee and the company, and is 3 per cent of the annual salary.

Other benefits

Benefits to the management team will normally be in line with market practice, including e.g. comprise cell phone expenses and payment of IT and telecommunication expenses. There are no specific restrictions on what other benefits may be agreed. Representation allowance is given, if relevant.

Severance payment

In the event of termination of the employment agreement, for reasons other than cause, the CEO is entitled to 15 months' pay and the accrued target performance bonus up until the date of notice of termination of employment.

The COO, is in the event of termination of his employment agreement 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.

The board ensures 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.

Board of directors' report

Nordic Nanovector made significant progress during 2017, continuing the positive momentum started in 2016. The company has advanced the clinical development programme for Betalutin® into its pivotal PARADIGME trial and expanded the knowledge base from which it intends to develop a successful commercialisation strategy for the candidate. The company also advanced its partnered early stage programmes, aimed at creating a pipeline of novel targeted therapies for haematological cancers.

HIGHLIGHTS OF 2017

- Continued strong clinical profile for Betalutin® in patients with relapsed/refractory follicular lymphoma (R/R FL)
  Results presented at scientific conferences from the Phase 1/2a LYMRIT 37-01 trial continued to show encouraging efficacy, safety and duration of response data, reinforcing the potential of Betalutin® to be a promising new therapy for patients with recurrent FL who have few effective treatment options.

- Advancing Betalutin® into pivotal phase with PARADIGME, a Phase 2b clinical trial in 3rd line (3L) R/R FL
  Nordic Nanovector initiated its pivotal PARADIGME trial with Betalutin® based on the encouraging results from LYMRIT 37-01, Phase 1/2a. PARADIGME is a global randomized Phase 2b study comparing two Betalutin® dosing regimens in R/R 3L FL patients. The trial is open for patient enrolment.

- Preparing ARCHER-1 trial, aiming to investigate Betalutin® in combination with rituximab in 2L FL
  ARCHER-1 will be the first trial to combine Betalutin® plus rituximab in 2L FL patients, based on promising preclinical data showing strong synergy between the two agents. The final design for ARCHER-1 was completed by year-end and the trial will open for patient recruitment once regulatory approval has been received.

- LYMRIT 37-05, Phase 1 study of Betalutin® in relapsed/refractory diffuse large B-cell lymphoma (R/R DLBCL) is on-going
  The first patient was dosed in March 2017 and the study is actively enrolling patients in the US and Europe.

- Building knowledge base for commercialisation strategy through extensive pre-commercial research programme
  Primary and secondary market research equipped the company with valuable knowledge about the US healthcare environment, the NHL market and target customers for Betalutin®.

- Preparations to start a Phase 1 trial of Humalutin®
  The company advanced its preparations to start a Phase 1 clinical trial with Humalutin®, a novel ^{177}Lu-conjugated chimeric anti-CD37 Antibody-Radionuclide-Conjugate (ARC), in non-Hodgkin's Lymphoma (NHL) patients. On April 4th, 2018 the company decided to re-focuse its resources towards PARADIGME and its other Betalutin® clinical programmes, the company decided to postpone the start of the first-in-human clinical trial with Humalutin® for the foreseeable future; this study was being prepared to start in 2H 2018.

- Pipeline development supported by expert partners
  The company continued early stage research in collaboration with its partners aimed at identifying an effective payload for the chimeric anti-CD37 antibody for development in leukaemia. A shortlist of payload candidates has been determined to conclude the selection process for further development.

OVERVIEW OF THE BUSINESS

The board of directors' report for the Nordic Nanovector group ("Nordic Nanovector" or "the group") embraces Nordic Nanovector ASA ("the parent company" or "the company") and its wholly-owned subsidiaries.

Business and location

Nordic Nanovector ASA is a biopharmaceutical company, established in 2009. The company develops innovative targeted therapeutics for haematological cancers. The company's lead clinical-stage product candidate is Betalutin®, a next generation radioimmunotherapy, designed to improve upon and complement current options for the treatment of NHL.

Nordic Nanovector ASA is the parent company in the Nordic Nanovector 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. Nordic Nanovector Ltd is incorporated in London, England. Nordic Nanovector also has operations in Denmark through Nordic Nanovector DK, branch of Nordic Nanovector ASA. The branch was established in October 2017. The headquarters and laboratories are located in Oslo, Norway.

Market, product and customers

Non-Hodgkin's Lymphoma (NHL) is a life-threatening blood cancer that originates in lymphocytes (white blood cells) and spreads and develops in lymph nodes and other lymphoid tissues. NHL consists of a group of closely related cancer types, which are typically divided into two sub-groups, aggressive and indolent.

Follicular lymphoma (FL) is an indolent form of NHL and accounts for 17-22 per cent of NHL cases, making it the most common type of indolent lymphoma and the second most common NHL overall. Diffuse large B-cell lymphoma (DLBCL) is a fast-growing, aggressive form of NHL, which accounts for 37-43 per cent of NHL cases and is the most common NHL subtype.

The incidence rate of NHL worldwide has been increasing over the past decades and NHL is today the 10th 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. Approximately 150 000 patients require treatment in the US and the five biggest EU countries. The NHL market is expected to grow by seven per cent annually for the next years to exceed USD 20 billion worldwide in 2024.

Nordic Nanovector's lead product candidate, Betalutin®, is an anti-CD37 monoclonal antibody chelated to the lutetium-177 radionuclide (^{177}Lu) that upon cellular internalisation provides primary anti-tumour activity through targeted radiation induced DNA disruption.

The short-range beta-radiation can cause cell death in both the cells to which Betalutin® molecules binds and the surrounding cells in a radius of approximately 0.25 millimetres (i.e. a radius of approximately 40 cells). This crossfire effect makes it possible to also kill malignant cells that do not highly express the CD37 antigen or that are poorly perfused (i.e. have limited blood supply) within a tumour mass.

Betalutin® was specifically designed to provide an alternative and complementary therapeutic mechanism of action to existing treatments for NHL. Betalutin® is delivered as a single injection ready-to-use formulation. Clinical studies indicate a promising safety and efficacy profile for the treatment considering existing approved treatments, which together with the single dose administration potentially represents a major benefit to patients.

Nordic Nanovector is evaluating Betalutin® for treatment of both aggressive and indolent NHL (iNHL). Enrolment in the LYMRIT 37-01 Phase 1/2a study in relapsed iNHL has been completed, and the pivotal Phase 2b study, PARADIGME, in patients with 3L anti-CD20 refractory FL is underway. Betalutin® is also being investigated in a Phase 1 study in patients with R/R DLBCL. The company has also prepared for a combination study of Betalutin® and rituximab in 2L FL patients (ARCHER-1). Nordic Nanovector is also preparing for a Phase 1 first-in-man clinical trial with Humalutin®, a novel ^{177}Lu conjugated chimeric anti-CD37 radioimmunoconjugate, in NHL patients.

In re-focusing its resources towards PARADIGME and its other Betalutin® clinical programmes, the company decided in April 2018 to postpone the start of the first-in-human clinical trial with Humalutin® for the foreseeable future; this study was being prepared to start in 2H 2018.

The current treatment pathway for indolent and aggressive NHL is dominated by anti-CD20 monoclonal antibodies (above all rituximab), either as monotherapy or in combination with various cytotoxic agents in the first and 2nd line setting. Regarding DLBCL, no standard of care exists for relapsed patients who are ineligible for stem cell transplantation. FDA has recently approved the first chimeric antigen receptor T cell (CAR-T) therapy for the treatment of R/R DLBCL patients ineligible to stem cell transplant.

While competition in this market will increase, there is room for novel products that can provide improved efficacy and improve the patient's quality of life. The company believes that Betalutin® could be a promising novel therapy for patients with relapsed FL based on the clinical activity, favourable safety profile and convenience for patients and healthcare professionals and the strong intellectual property position.

Target customers for Betalutin® are various payer groups in the different geographic markets, such as the US government (including Medicaid and Medicare), US commercial payers (employer-based insurance) and European social security systems in the various EU countries. The group will focus marketing efforts towards haematologists-oncologists, radiation oncologists and nuclear medicine specialists operating in both academic sites/tertiary care centres as well as community-based practices.

Vision and strategy

Nordic Nanovector's vision is to significantly advance the treatment of cancer patients with innovative precision therapies.

The strategy is:

- Primary focus of financial and human resources is on the clinical development of Betalutin®. Results from PARADIGME are targeted for 1H 2020 (previously 2H 2019) and first regulatory filing in 2020, and in parallel to run additional trials in 2L FL and DLBCL.
- Implement a development and commercialisation plan for Betalutin® with the intent to deliver a differentiated target product profile that meets the requirements of both regulatory and reimbursement agencies, while achieving a strong and competitive market position.
- Leverage the company's proprietary technology and expertise to target challenging haematological cancers, where the unmet medical need is high, such as NHL, chronic lymphocytic leukaemia, other B-cell malignancies and acute myeloid leukaemia, through focused investments in discovery research and strategic collaborations.
- Continue to reinforce the company's organisation by attracting key talent with strong technical and international experience, while maintaining flexibility and efficiency.

OPERATIONAL REVIEW

Investigating Betalutin® in iNHL

Nordic Nanovector's lead product candidate Betalutin® is in a clinical development programme aimed at evaluating its potential as a new targeted treatment for patients with NHL. LYMRIT 37-01 is an open label, dose escalation study investigating the optimal treatment regimen of single dose Betalutin® with lilotomab pre-dosing in patients with recurrent iNHL. A total of 74 patients were enrolled in the Phase 1/2a study which was conducted in two parts: four dose-escalation cohorts to determine the optimal cold antibody (lilotomab or rituximab) pre-dosing and Betalutin® regimen (Phase 1), and an expanded cohort to confirm safety and evaluate efficacy (Phase 2a). The study was expanded in 2017 with a Phase 2 expansion cohort in Arm 4, to explore a higher dosing regimen ahead of final selection for PARADIGME.

Having completed enrolment in the Phase 1/2a trial the company's key priority going forward is to evaluate Betalutin® in a population of patients with 3L relapsed, anti-CD20 antibody-refractory FL in the PARADIGME trial. The trial was initiated in the latter part of 2017 and is open for patient enrolment.

Promising results from LYMRIT 37-01 were presented at major haematology/oncology congresses during the year, including the American Association of Cancer Research (AACR), International Conference on Malignant Lymphoma (ICML) and the American Society of Hematology (ASH) annual meetings. The latest results were presented at ASH in December, demonstrating that single-agent Betalutin® is effective and well-tolerated in patients with R/R iNHL:

- 90 per cent of all patients (n=59) had a reduction in tumour size.
- Overall response rate (ORR) of 60 per cent and complete response (CR) of 24 per cent for all evaluable iNHL patients.
- Highly active in FL patients with two or more prior therapies (3L FL) with 66 per cent ORR and 25 per cent CR.
- Encouraging results in FL patients from two dosing regimens:
  - *Arm 1 (40 mg lilotomab/15 MBq/kg Betalutin®): 68 per cent ORR and 28 per cent CR.*
  - *Arm 4 (100 mg/m^2 lilotomab/20 MBq/kg Betalutin®): 50 per cent ORR and 25 per cent CR.*
- Durable responses, especially for patients with a CR.
  - *Median duration of response of 13.3 months for all iNHL patients.*
    - *20.5 months for patients with CR.*
  - *Median duration of response of 13.3 months for FL patients treated with the "40/15" regimen.*
    - *22.9 months for patients with CR.*

Dosimetry results for all arms in LYMRIT-37-01 were presented at the European Association of Nuclear Medicine annual meeting in October. Dosimetry data for normal tissues were also published in the Journal of Nuclear Medicine (Blakkisrud *et al*, 2017). Dosimetry and biodistribution analyses confirm that pre-dosing with lilotomab prior to therapy with Betalutin® significantly increases the ratio of absorbed radiation dose between tumour and red marrow.

Final results and analysis from the LYMRIT 37-01 trial will be presented at a future international congress.

Advancing Betalutin® into 3L R/R FL with the Phase 2b PARADIGME trial

The results from LYMRIT 37-01, in conjunction with guidance from the company's expert advisors and regulatory authorities, enabled Nordic Nanovector to complete the design of PARADIGME and to initiate the trial towards the end of 2017. The company expects the first patient to be dosed in the first half of 2018.

PARADIGME is a global, randomised Phase 2b clinical trial comparing the two most promising Betalutin® dosing regimens identified from LYMRIT 37-01 in approximately 130 3L R/R FL patients:

- 40 mg lilotomab pre-dosing followed by 15 MBq/kg Betalutin®
- 100 mg/m^2 lilotomab pre-dosing followed by 20 MBq/kg Betalutin®

The streamlined trial design offers a seamless continuation of the LYMRIT 37-01 study, and is designed to evaluate Betalutin® in 3L FL patients who are refractory to anti-CD20 therapy, a high unmet medical need population. Results from PARADIGME are targeted for 1H 2020 (previously 2H 2019) and first regulatory filing in 2020.

Investigating Betalutin® in 2L FL in combination with rituximab (ARCHER-1)

Nordic Nanovector has prepared for initiation of ARCHER-1, a clinical trial designed to explore the combination of Betalutin® with rituximab, the standard-of-care anti-CD20 immunotherapy for NHL.

The study builds on preclinical data demonstrating a synergistic anti-tumour effect between Betalutin® and rituximab, reported at ASH in December 2016. These data showed that treatment with the combination significantly prolonged the survival time of mice compared to those receiving either agent alone (>222 days vs 31-40 days, $p < 0.05$). Should this effect be confirmed in clinical studies, it could represent a novel dual immunotherapy approach for the treatment of NHL that utilises two unique and highly expressed antigens on B-cell tumours.

The market for 2L FL was estimated to be USD 1.5 billion in 2014, nearly three times larger than that for 3L therapies.

The trial design for ARCHER-1 was completed at the end of 2017. The trial will open for patient enrolment once regulatory approvals have been received. The company expects the first patient to be dosed in the second half of 2018.

Investigating Betalutin® in DLBCL

Nordic Nanovector is investigating Betalutin® in relapsed DLBCL patients ineligible for stem cell transplantation. The Phase 1 LYMRIT 37-05 study is an open-label, single-arm, dose-escalation study designed to assess the safety, tolerability, pharmacokinetic profile and preliminary anti-tumour activity of Betalutin®, with the intention of identifying a dosing regimen to advance into Phase 2 studies. Up to 24 patients are planned to be enrolled in the US and EU.

DLBCL is an aggressive form of NHL and accounts for 37-43 per cent of all cases, making it the most common form of NHL. After 1L combination treatment with rituximab-chemotherapy (R-CHOP) approximately 40 per cent of DLBCL patients relapse and only 30-40 per cent of relapsed patients respond with subsequent high-dose chemotherapy followed by stem cell transplant (SCT). There are currently very few therapeutic options for patients not eligible for SCT, which makes this disease a serious unmet medical need, with a population of over 14 000 patients in the US, EU-5 and Japan (orphan drug indication). The market for treatment of DLBCL is estimated to be worth more than USD 4.5 billion by 2024.

The study is actively enrolling patients in the US and Europe with the first patient enrolled in March 2017. The company expects preliminary data read-out from this study in the second half of 2018, followed by publication of the data at a relevant scientific conference.

Investigating the potential of Humalutin® for treating 1L NHL

In 2017, Nordic Nanovector progressed preparations to start a Phase 1 clinical trial with Humalutin®, a novel ^{177}Lu-conjugated chimeric anti-CD37 radioimmunoconjugate in NHL patients. Results presented in October 2016 at the European Association of Nuclear Medicine (EANM) conference from studies with Humalutin® in preclinical lymphoma and leukaemia models provide the rationale for advancing this programme into clinical development.

The company believes that Humalutin®'s immunogenicity profile could represent an advantage for 1L NHL patients who are likely to receive monoclonal antibodies in subsequent lines of therapies. If successful, this would extend the reach of Nordic Nanovector's targeted therapies to a market estimated over USD 1.4 billion in 2024. In re-focusing its resources towards PARADIGME and its other Betalutin® clinical programmes, the company decided to postpone the start of the first-in-human clinical trial with Humalutin® for the foreseeable future; this study was being prepared to start in 2H 2018.

Further pipeline development

Nordic Nanovector's broader strategy is to expand its pipeline of targeted therapies, by leveraging its expertise alongside partners' complementary technologies to create opportunities for innovative products with other radionuclide and non-radionuclide payloads as tumour-killing agents.

During 2017, the company advanced early stage research in collaboration with its partners aimed at identifying an effective payload for the chimeric anti-CD37 antibody for development in leukaemia. A shortlist of payload candidates has been determined to conclude the selection process for further development during 2018. As a consequence, with concentrated efforts and resources on these leading discovery projects and considering the current challenging market landscape in multiple myeloma, the company has decided to discontinue the Affilutin project.

Pre-commercialisation research: defining the commercialisation strategy

In parallel with the clinical development programme for Betalutin®, Nordic Nanovector has been building its knowledge base to enable the design of its commercialisation strategy for Betalutin® in 3L FL and more broadly in NHL. Key findings from its research were presented at the company's Capital Market Day in November.

Extensive market research was undertaken to understand the competitive environment in NHL and what customers perceive as the areas of unmet needs This research confirmed that the value of Betalutin® is distinctly perceived by customers across all prioritised segments: efficacy is seen as a major strength, but what really enthuses Haematologist-Oncologists (HaemOncs) is the "bundle" of potential benefits, including efficacy, manageable toxicity and simplicity for patients and physicians. This attractive profile positions Betalutin® competitively to serve the unmet needs of patients who are frail or elderly, have co-morbidities that rule out chemotherapy, or who are refractory to rituximab.

Market research has also been completed to understand the changes in the US healthcare environment and how they affect the process through which HaemOncs, who are responsible for NHL patients, can refer a patient to a Radiation Oncologist (RadOnc) or a Nuclear Medicine (NM) specialist to receive a radiopharmaceutical product (referral pathway), when they are convinced it is the preferred option. The results have equipped the company with valuable knowledge about the US healthcare environment, the NHL market and target customers.

Furthermore, the outcome of case studies suggests clearly that Betalutin®, as a next-generation radioimmunotherapy, can become a commercially successful therapeutic option, provided certain prerequisites are met: (a) scientific engagement of thought leaders in key institutions ahead of commercial launch; (b) well-designed clinical development plan; (c) robust market access and reimbursement programme; (d) optimised referral pathway; and (e) streamlined distribution via a centralised logistics service to customers. Nordic Nanovector is committed to leverage these insights to develop strategies that offer the best chance of commercial success for Betalutin®.

The company has begun building a high-quality team to support its commercialisation plans starting with the appointment of Dr Reza Safaei, MD, as Head of Medical Affairs. Dr Safaei's responsibility is to establish the company's Medical Affairs function and lead a team of field-based Medical Science Liaisons to strengthen the partnership with key opinion leaders, support patient enrolment into clinical trials in US and EU and raise awareness of Nordic Nanovector's technology. This function will be crucial to reinforce Nordic Nanovector's presence in haematology and to successfully prepare for the commercialisation of Betalutin®. Two contract Medical Science Liaisons have been recruited in the US and two in Europe.

INTELLECTUAL PROPERTY

The composition of matter patent for Betalutin® is approved and validated in an number of European states as well as in USA, Hong Kong, South Africa, Japan, Canada, New Zealand, Australia, Israel, Russia, Mexico, Singapore, Philippines, Korea and China. Patent applications are pending in Thailand, Brazil, Indonesia, India and Ukraine. The patent expires in 2031 with possible extension for up to five years after initial patent term. The company has also filed patent applications on chimeric versions of Betalutin® published as PCT application and has also filed divisional applications on the Betalutin® patent application. The applications have been filed in the US, Hong Kong, South Africa, New Zealand, China, Mexico, Singapore, Thailand, Philippines, Brazil, Canada, Indonesia, India, Korea, Russia and in the EU. The chimeric patent is granted in Australia and Israel.

The company has filed a patent application related to CD20/CD37 interaction and regulation. The applications have been filed in US, Hong Kong, South Africa, New Zealand, China, Mexico, Singapore, Thailand, Philippines, Brazil, Canada, Indonesia, India, Korea, Russia and in EU. Patent has been granted in Israel and in EU.

A patent application related to pre-treatment with rituximab and pre-dosing with lilotomab before treatment of patients with Betalutin® has also been filed. This application is currently in the international PCT-phase.

Application for protection of the trademark Betalutin® have been filed and approved in Norway, Australia, Switzerland, China, EU, Japan, South Korea, Singapore, US, Israel, Mexico, New Zealand, South Africa. Application for protection of the trademark Humalutin® has been filed and approved in Norway, Hong Kong and US.

FINANCIAL REVIEW

(All amounts in brackets are comparative figures for 2016 unless otherwise specifically stated).

The consolidated financial statements of Nordic Nanovector ASA and its subsidiaries (the group) have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU on December 31st, 2017.

Income statement

Total operating revenues for 2017 amounted to NOK 0.3 million (NOK 0.3 million), primarily consisting of sales of incubator services and sublease of office and laboratory facilities.

Total operating expenses increased to NOK 316.8 million (NOK 216.7 million), reflecting higher operational activities, staff increases and non-cash costs related to previous granted options.

Payroll and related expenses rose to NOK 80.6 million (NOK 62.4 million) due to a higher head count and non-cash costs related to previous granted options, partly offset by reduced social security accruals on the latter. Other expenses amounted to NOK 234.7 million (NOK 153.2 million), the increase being driven by clinical trial and commercial preparation activities.

Operating loss for 2017 was NOK 316.5 million (loss of NOK 216.4 million) for the reasons stated above.

Net financial items for 2017 amounted to NOK 23.1 million (negative NOK 18.8 million), driven by currency fluctuations on bank deposits as well as interest income.

Comprehensive loss for the year was NOK 295.6 million (NOK 235.8 million).

Cash flow and financial position

Net cash flow from operating activities in 2017 was negative NOK 249.4 million (negative NOK 204.0 million) driven by operational activities. Net cash flow from investing activities in 2017 was NOK 3.3 million (NOK 3.0 million), primarily related to received interest on bank deposits. Net cash flow from financing activities for the year amounted to negative NOK 32.6 million (NOK 499.3 million), following payment of costs related to the equity issue in December 2016 and exercise of share options in the first quarter of 2017.

Exchange rate fluctuations had a positive impact of NOK 17.1 million (negative NOK 23.4 million) on cash and cash equivalents in 2017.

Cash and cash equivalents amounted to NOK 756.6 million at the end of December 2017, compared to NOK 1 018.2 million at the end of December 2016.

Total assets at December 31st, 2017, amounted to NOK 780.5 million, down from NOK 1 044.7 million at December 31st, 2016. The decline was primarily due to a lower cash holding following operational activities.

Total shareholders' equity at year-end was NOK 679.6 million (NOK 949.3 million), corresponding to an equity ratio of 87.1 per cent (90.9 per cent). Total liabilities were NOK 100.9 million (NOK 95.5 million), the increase driven by accrued expenses related to clinical trial activities, partly offset by payments of accounts payable related to the share issue in December 2016.

Parent company

Nordic Nanovector ASA (the parent company) recorded a loss of NOK 278.9 million for 2017 (NOK 226.5 million). Total equity was NOK 682.7 million at December 31st, 2017 (NOK 951.7 million). The equity ratio of the parent company was 88.3 per cent (91.6 per cent).

Research and development

While the research and development strategy is designed in-house, the company leverages its network of external contract research organisations ("CROs") and collaborates with academic institutions to execute its development strategy. Nordic Nanovector uses external contract manufacturing organisations ("CMOs") to manufacture Betalutin®.

Expenditure on research activities is recognised as an expense in the period in which it was incurred. Uncertainties related to the regulatory approval process and progress from ongoing clinical trials generally indicate that the criteria for capitalisation of research and development cost are not met until market authorisation is obtained from relevant regulatory authorities. The group has currently no development expenditure that qualifies for recognition as an asset under IAS 38.

Research and development expenses amounted to NOK 220.3 million in 2017 (NOK 150.6 million), accounting for 70.8 per cent (70.4 per cent) of total operating expenses.

RISK AND RISK MANAGEMENT

Nordic Nanovector is currently in a development phase involving activities which entail exposure to various risks. Risk assessment and management is an integral part of Nordic Nanovector's operations. The company puts substantial efforts into identifying, minimising and mitigating potential impacts from the major risk factors.

Operational and market risks

- The process of drug development involves risks, with early stage drug candidates carrying a higher risk of failure than a later stage candidate. Nordic Nanovector's lead product candidate, Betalutin®, is currently in Phase 2b clinical evaluation for the treatment of 3L FL. Nordic Nanovector is also undertaking other clinical studies at earlier stages as well as conducting pre-clinical investigation activities. Clinical and earlier stage studies may not prove to be successful due to a number of reasons, including safety and efficacy results, delays in patient enrolment and unforeseen changes in regulatory requirements.

- Nordic Nanovector aims to obtain regulatory approval and commercialise Betalutin® in core markets. Regulatory authorities may fail to accept the BLA (Biologic License Application)/ MAA (Marketing Authorisation Application) for accelerated/conditional approval of Betalutin® due to changes in the regulatory or competitive environment.

- The manufacturing of the products may cause a potential shortage of clinical supplies.

- Changes in healthcare environment and reimbursement policy in both EU and the US (i.e., Coverage and Insurance Market Reform, Delivery and Payment System Reform) may impact Nordic Nanovector's ability to charge the desired premium price and/or result in more significant restrictions to Betalutin® coverage, in particular by government-backed reimbursement agencies (NHS in EU, Medicare/Medicaid in the US).

The company's board and management team continuously monitor operations and prepare mitigating actions to minimise the risks related to the research and development activities, including assessments and optimisation of procedures and practice to meet regulatory guidelines, close collaboration with relevant expertise and important stakeholders, engagement with regulatory agencies, investigations on pipeline expansion, monitoring the market and competitive landscape and close follow-up of production facilities.

Financial risk

Interest rate risk

The Nordic Nanovector group has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which impact the financial income. The Nordic Nanovector group had NOK 5.8 million (NOK 4.4 million) in interest income as of year-end.

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 development expenses. The group is mainly exposed to fluctuations in euro (EUR), pounds sterling (GBP), US dollar (USD) and Swiss franc (CHF).

Exchange rate fluctuations mainly impact cash and cash equivalents in the statement of financial position and financial items in the statement of profit and loss, reported as financial income or expenses.

Nordic Nanovector strives to identify and manage material foreign currency exposures and to minimise the potential effects of currency fluctuations on the cash flow. In order to achieve this, and to provide an operational hedge for purchases made in foreign currencies, the company has made deposits in foreign currency bank accounts equivalent to the estimated expenditure of these four currencies for the next one to two years. The company's deposits in foreign currencies at year end 2017 amounted to an equivalent of NOK 346.1 million.

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 losses on receivables during 2017. Other current receivables are mainly related to grants from the government institution Research Council of Norway, and deposits for rental of office and lab facilities. The group considers its credit risk as low.

Liquidity risk

The company closely monitors, plans and reports its cash flow, considering short and long-term forecasts. The group does not have any loan agreements. Financial resources are expected to be sufficient to reach data read-out from PARADIGME. In order to execute the clinical programmes and commercialise the products, the company will require new capital in the future. Management will continue to put strong efforts into focus on efficient operations, close monitoring and planning of the cash resources, and maintaining a clear business development strategy.

GOING CONCERN

Pursuant to section 3-3 (a) of the Norwegian Accounting Act, it is confirmed that the conditions for assuming that the group is a going concern are present, and that the financial statements have been prepared on the basis of this assumption.

No events of major significance for the assessment of the company's financial position and results have occurred since the end of 2017, except those stated under the section "Subsequent events" in this report.

ALLOCATION OF THE PARENT COMPANY'S NET RESULT

Nordic Nanovector ASA's loss for 2017 amounted to NOK 278.9 million (NOK 226.5 million). The board of directors proposes that the loss is transferred to accumulated losses.

The financial resources of Nordic Nanovector are directed towards the clinical development of Betalutin® and further investigations in the company's product pipeline. The company does not anticipate paying any cash dividend until sustainable profitability is achieved.

CORPORATE GOVERNANCE

The board of directors 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 is subject to corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on October 30th, 2014, may be found at www.nues.no.

The annual statement on corporate governance can be found on page 86 in this report and on the company's web page

The board's signatures in the annual report shall be deemed to include the statement of corporate governance.

CORPORATE SOCIAL RESPONSIBILITY

Nordic Nanovector is subject to corporate social responsibility reporting requirements under section 3-3c of the Norwegian Accounting Act. Nordic Nanovector's mission is to extend and improve the lives of patients with haematological cancers by developing and commercialising innovative ARCs.

This business idea has an aspect of shared value, in the sense that creating value for patients will create value for society, as well as for the shareholders of the company. To ensure that patients, research and development partners, employees, shareholders and other stakeholders feel confident about Nordic Nanovector's commitment to operate this business in accordance with responsible, ethical and sound corporate and business principles, the company has established a code of conduct for corporate social responsibility (CSR). The CSR code of conduct applies to all employees and board directors in the group. By agreement it may also apply to independent consultants, intermediaries or others acting on behalf of Nordic Nanovector. The document provides a framework for what Nordic Nanovector considers as responsible conduct, and defines the individual responsibilities of employees through a combination of broad principles and specific requirements. The code of conduct is a guiding instrument, outlining the principles on which the everyday work is based. The full code of conduct can be found on: http://www.nordicnanovector.com/investor-and-media/corporate-governance/Corporate-Social-Responsibility.

The company is still in a development phase, with a strong focus on activities aiming to achieve regulatory approval of its product candidates. The implementation of specific goals, strategies or action plans related to CSR has not yet been prioritised, but will be developed along with the continuous development of Nordic Nanovector's products and operations. Further development of the company's CSR policy will take place during 2018.

The board's signatures in the annual report shall be deemed to include the statement of corporate social responsibility.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Nordic Nanovector aims for zero harm to people, the environment and society. The company works purposefully and systematically to reduce the environmental impact and strives not to pollute the external environment. All production and distribution activities are outsorced. The group's operations shall always be subject to strict requirements in terms of quality, safety and impact on personal health and the environment.

The working environment in Nordic Nanovector is considered to be good. No accidents or injuries were registered in 2017. Sick leave in Nordic Nanovector ASA totalled 57 working days in 2017, which corresponds to 0.82 per cent of total working days. This is a decrease compared to 1.09 per cent in 2016 (63.5 working days).

Nordic Nanovector ASA has in 2017 been certified as a Great Place to Work®. The independent certification process measures how the company is perceived as a working place by its employees. The certification reflects the company's ability to create relationships build on trust, camaraderie and pride.

EMPLOYEES, ORGANISATION AND EQUAL OPPORTUNITIES

At the end of 2017, the group employed 37 (28) people, of which 3 part time employees and 8 employed in subsidiaries. Nordic Nanovector ASA employs 29 of the Nordic Nanovector group's 37 employees.

Nordic Nanovector aims to foster a workplace with equal opportunities for women and men in all areas. The group has traditionally recruited from environments with relatively equal representation of women and men. The team of employees consists of 65 per cent women and 35 per cent men, representing 12 different nationalities. The board of directors consists of 50 per cent women. The executive management team consists of 62.5 per cent women.

Nordic Nanovector promotes a productive working environment and does not tolerate disrespectful behaviour. The group 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 not accepted.

Nordic Nanovector will not use force of any form or involuntary labour or employ any persons below the legal minimum age.

Changes to the executive management team

Rosemarie Corrigan joined Nordic Nanovector in December 2017 as Chief Quality Officer with overall responsibility for quality assurance and compliance. She brings over 25 years of experience in global quality and compliance at pharmaceutical, biotechnology and clinical research organisations, spanning product life cycle from discovery to commercialisation. In her most recent role, she held the position of Global Head of QA at the biopharmaceutical company ThromboGenics NV, supporting its products through development, launch and commercialisation.

In February 2018, Nordic Nanovector strengthened its international investor relations team with the appointment of Malene Brondberg as Vice President, Investor Relations and Corporate Communications. She will serve as a member of the executive management team, bringing over 20 years' experience from roles as a sell-side healthcare analyst and as Global Head of Research and member of the Executive Committee at the Nordic investment bank ABG Sundal Collier. Since 2011, she has worked as a management consultant within the financial sector, acting as an advisor in relation to investor relations and funding, and has held various interim management positions such as CEO, COO and Head of Compliance.

On April 4th 2018, the company announced that Luigi Costa will step down as Chief Executive Officer by mutual agreement with the board of directors. A search for a new CEO started immediately. To ensure a smooth transition, Mr Costa agreed to be available to the board until the end of July 2018.

On April 20th, 2018, Tone Kvåle was appointed to the position of Interim Chief Executive Officer (CEO) in addition to her current role as Chief Financial Officer.

SUBSEQUENT EVENTS

(Refer to note 23)

SHARE INFORMATION

As of December 31st, 2017, Nordic Nanovector ASA had 49 044 402 shares outstanding. The number of shareholders increased to 8 258 (7 026). At year-end 2017, 20 (21) per cent of the shares were held by foreign investors. Please refer to note 8 for further information on shareholders.

The closing share price of the Nordic Nanovector ASA on the last trading day of 2017 was NOK 81.0, corresponding to a total market capitalisation for the company of NOK 3 973 million.

Please refer to note 13 for information on options and performance share units (PSUs).

OUTLOOK

Nordic Nanovector aspires to become a leader in the field of precision therapies for haematological cancers by developing, manufacturing and commercialising innovative therapies to address major unmet medical needs and advance cancer care.

Betalutin®, the company's most advanced product candidate, is developing a well differentiated, competitive, clinical profile for R/R FL, based on the promising preliminary results from the LYMRIT 37-01 Phase 1/2a clinical study. The company's pivotal Phase 2b PARADIGME trial with Betalutin® in 3L R/R FL is underway and results from the study are targeted for 1H 2020 (previously 2H 2019) and first regulatory filing in 2020.

Nordic Nanovector intends to maximise the value of Betalutin® across other stages of FL, NHL and other haematological cancer indications. A further element of the company's strategy is to selectively extend its pipeline of novel targeted biopharmaceutical candidates to support future growth.

Management will continue to focus its efforts on the efficient execution of its plans and to meet clinical and pre-commercialisation milestones. The company is confident that Betalutin® could become an attractive and convenient therapeutic option, which, based on detailed market research, has the potential to be commercially successful.

Financial resources are expected to be sufficient to reach data read-out from PARADIGME.

Oslo, April 30th, 2018

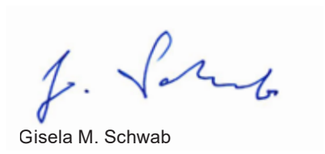
The board of directors and the chief executive officer of Nordic Nanovector ASA

Ludvik Sandnes
Chair

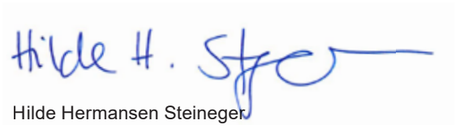
Jean-Pierre Bizzari
Director

Joanna C Horobin
Director

Per Samuelsson
Director



Gisela M. Schwab
Director



Hilde Hermansen Steineger
Director

Tone Kvåle
CFO and Interim CEO

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period from January 1st, to December 31st, 2017 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, April 30th, 2018

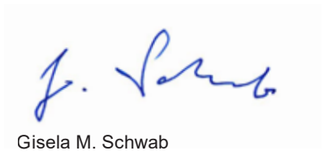
The board of directors and the chief executive officer of Nordic Nanovector ASA

Ludvik Sandnes
Chair

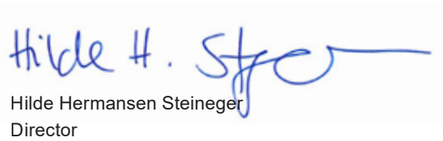
Jean-Pierre Bizzari
Director

Joanna C Horobin
Director

Per Samuelsson
Director



Gisela M. Schwab
Director



Hilde Hermansen Steineger
Director

Tone Kvåle
CFO and Interim CEO

The board of directors

Ludvik Sandnes
Chair

Mr Sandnes (69) has more than 40 years of experience from international corporate finance, asset management and investment banking from Norfund, The Royal Bank of Scotland, BDO Noraudit, PwC Financial Advisors, Christiania Bank, UNI Storebrand, Orkla Borregaard, Den Norske Creditbank and Statoil. His experience includes board positions in approximately 20 private and listed companies. His current board positions include Oslo Cancer Cluster, Oncoinvent AS, Zenith Fonds AS, and Godthaab Helse og Rehabilitering. Mr Sandnes holds a Bachelor's degree in Commerce and is a Certified European Financial Analyst (AFA) from the Norwegian School of Economics and Business Administration (NHH). Mr Sandnes has served as a director in the company since June 2013 and as the chair since November 2014. He is a Norwegian citizen and resides in Norway and is an independent director of the board. He attended 12 board meetings in 2017.

Jean-Pierre Bizzari, MD
Director

Dr Bizzari (63) has served as EVP, group head, and clinical oncology development at Celgene from 2008 to 2015. Prior to this, he spent 15 years as Vice President Clinical Development at Rhône-Poulenc Rorer, Aventis and Sanofi-Aventis and has been involved in the clinical development of several anticancer agents such as Taxotere®, Eloxatin®, Revlimid®, Vidaza®, Abraxane®, Irinotecan® (CPT-11). Dr Bizzari is a world-renowned oncology expert and is a member of the scientific advisory board of the French National Cancer Institute (INCa), and is chair of the New Drug Advisory Committee at the European Organization of Research and Treatment of Cancer (EORTC). He serves as director of the boards of several biotech companies; Transgene, Onxeo, Iteos, Halozyme Therapeutics and Pieris Pharmaceuticals. Dr Bizzari has published more than 70 articles in peer-reviewed journals. Dr Bizzari holds a medical degree specialised in oncology from the University of Nice (France), and has trained successively at the Pitié-Salpêtrière hospital in Paris, at On-tario Cancer Institute, and Montreal McGill Cancer Center in Canada. Dr Bizzari has served as a director in the company since May 2016. He is an independent director of the board. He attended 12 board meetings in 2017.

Joanna C Horobin
Director

Ms Horobin (63) has comprehensive experience within the biopharmaceutical industry. She is currently Senior Vice President, Chief Medical Officer and a member of the leadership team at Idera Pharmaceuticals Inc. in Cambridge, MA, USA. Ms Horobin's current role includes the development and regulatory strategy as well as the execution of the clinical trial programme for the company's pipeline of novel oligonucleotides for the treatment of rare oncology and other indications. Prior to this position, she was CMO of Verastem Inc., and CEO of Syndax Pharmaceuticals. Additionally, Ms Horobin has held several roles of increasing responsibility at global pharmaceutical companies such as Rhône-Poulenc Rorer (now Sanofi) where she led the global launch of Taxotere® (docetaxel) in breast cancer and Campto/Camptosar® (lenogratism) for colorectal cancer, and played significant leadership roles in the approvals of several successful products. She has a MB ChB degree from the University of Manchester. She is a British citizen and resides in the US. Ms Horobin has served as a director in the company since October 2016. She is an independent director of the board. She attended 12 board meetings in 2017.

Per Samuelsson
Director

Mr Samuelsson (57) is a partner at Odlander Fredrikson/HealthCap, the life sciences venture capital firm, which was also the principal shareholder of Nordic Nanovector at 31 December 2017. Mr Samuelsson has also gained more than 15 years of investment banking experience, mainly with Aros Securities in Sweden. In his final position with Aros Securities, as a director of the corporate finance department, he specialised in the areas of merger transactions, initial public offerings and equity incentive programmes. Prior to this, Mr Samuelsson was Head of Research at Aros Securities. He currently holds board positions in several companies, including Targovax ASA, Oncopeptides AB, RSPR Pharma AB, Ancilla AB, Cantando AB, and SwedenBIO. Mr Samuelsson received his MSc in engineering from the Institute of Technology in Linköping. Mr Samuelsson has served as a director in the company since November 2014. He is a Swedish citizen, and resides in Sweden. Mr Samuelsson attended 12 board meetings in 2017.

Gisela M Schwab, MD
Director

Dr Schwab (61) is President of Product Development and Medical Affairs, and CMO of Exelixis Inc, where she has held several leading product development positions since 2006, and has led the successful development of Cometriq® and Cabometyx®. Prior to that, she has held the position of Senior Vice President and CMO at Abgenix Inc, a human antibody-based drug development company where she led the clinical development of Vectibix® starting in 1999. Before that she held different positions at Amgen Inc, most recently as Director of Clinical Research and Haematology/oncology therapeutic area team leader, and led the clinical development of Neulasta®. Dr Schwab has served as a director of the board of Topotarget A/S, a publicly-held biopharmaceutical company. She currently serves as chairman of the board of Cellerant Therapeutics Inc., a privately held biopharmaceutical company. She received her doctor of medicine degree from the University of Heidelberg, trained at the University of Erlangen-Nuremberg and the National Cancer Institute, Bethesda, MD, USA, and is board-certified in internal medicine and haematology and oncology. Dr Schwab has served as an independent director of the company since March 2015. She is a German citizen and resides in the US. She attended 12 board meetings in 2017.

Hilde Hermansen Steineger, PhD
Director

Dr Steineger (52), is COO and co-founder of NorthSea Therapeutics B.V, and CEO of Staten Biotech-nology. She has formerly served as Head of Strategic Innovation Management in Nutrition and Health Division (EN), BASF and Head of Global Omega-3 Innovation Management including; R&D, Medical Affairs and Business Development. She has also served as Vice President, Head of Investor Relations for Pronova BioPharma, Senior Associate at Neomed Management and as a Senior Analyst at Nordea Securities. Dr Hilde Steineger has broad scientific knowledge with a PhD in medical biochemistry from the University of Oslo in 2000 and an MSc in molecular biology/biotechnology from 1992.She began her professional career at Nycomed Pharma, where she worked in the area of clinical research and international marketing. Current board positions include Strongbridge Biopharma plc and PCI Biotech ASA. She has served as a director in the company since Novem-ber 2014. Dr Steineger is a Norwegian citizen and resides in Norway. She is an independent director of the board. Dr Steineger attended 12 board meetings in 2017.

Annual accounts 2017

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Consolidated statement of profit or loss and other comprehensive income

For the year ended December 31st

PARENT				GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	*Note*	**2017**	**2016**
314	**302**	Revenues	*16*	**302**	314
314	**302**	**Total operating revenue**		**302**	314
37 956	**43 122**	Payroll and related expenses	*7, 12, 13, 21*	**80 609**	62 362
1 160	**1 483**	Depreciation	*15*	**1 483**	1 160
168 778	**257 566**	Other operating expenses	*7, 9, 15, 16, 18*	**234 732**	153 154
207 894	**302 171**	**Total operating expenses**		**316 824**	216 676
-207 580	**-301 869**	**Operating profit (loss)**		**-316 522**	-216 362
		Finance income and finance expenses			
4 392	**5 857**	Finance income	*5, 6, 10*	**5 899**	4 424
0	**10**	Finance expenses	*5, 10*	**10**	10
-23 314	**17 100**	Net currency gains (loss)	*5, 6, 10*	**17 200**	-23 223
-18 922	**22 947**	**Net finance income (expenses)**		**23 089**	-18 809
-226 502	**-278 922**	**Loss before income tax**		**-293 433**	-235 171
0	**-11**	Income tax	*11*	**-381**	-339
-226 502	**-278 933**	**Loss for the year**		**-293 814**	-235 510
		Other comprehensive income (loss), net of income tax to be reclassified to profit and loss in subsequent periods			
0	**0**	Translation effects		**86**	-252
		Other comprehensive income (loss), net of income tax not to be reclassified to profit and loss in subsequent periods			
0	**0**	Remeasurement gains (losses) on defined benefit plans	*21*	**-1 839**	0
-226 502	**-278 933**	**Total comprehensive income (loss) for the year**		**-295 567**	-235 762
-226 502	**-278 933**	Loss for the year attributable to owners of the parent		**-293 814**	-235 510
-226 502	**-278 933**	**Total comprehensive income (loss) for the year attributable to owners of the parent**		**-295 567**	-235 762
		Earnings (loss) per share			
-5.06	**-5.69**	Basic and diluted earnings (loss) per share	*17*	**-5.99**	-5.26

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

Consolidated statement of financial position

For the year ended December 31st

PARENT				GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	*Note*	**2017**	2016
		ASSETS			
		Non-current assets			
3 145	**4 174**	Property, plant and equipment	*15, 19*	**4 174**	3 145
137	**137**	Shares in subsidiaries	*20*	**0**	0
3 282	**4 311**	**Total non-current assets**		**4 174**	3 145
		Current assets			
		Receivables			
22 421	**18 165**	Other current receivables	*14*	**19 726**	23 377
22 421	**18 165**	**Total current receivables**		**19 726**	23 377
1 012 975	**750 821**	Cash and cash equivalents	*5, 6, 10, 19*	**756 571**	1 018 217
1 035 396	**768 986**	**Total current assets**		**776 297**	1 041 594
1 038 678	**773 297**	**TOTAL ASSETS**		**780 471**	1 044 739
		EQUITY AND LIABILITIES			
		Equity			
9 795	**9 809**	Share capital	*8*	**9 809**	9 795
1 433 743	**1 434 896**	Share premium	*8*	**1 434 896**	1 433 743
8 938	**17 633**	Other paid in capital	*12, 13*	**44 551**	19 826
-500 746	**-779 680**	Accumulated losses	*8*	**-809 642**	-514 075
951 730	**682 658**	**Total equity**		**679 614**	949 289
		Liabilities			
		Non-current liabilities			
0	**0**	Net employee defined benefit liabilities	*21*	**3 619**	0
0	**0**	**Total non-current liabilities**		**3 619**	0
		Current liabilities			
51 676	**28 415**	Accounts payable	*5, 16, 19*	**29 317**	53 160
3 773	**6 810**	Current liabilities to group companies	*16, 20*	**0**	0
0	**11**	Tax payable	*11, 19*	**467**	377
31 499	**55 403**	Other current liabilities	*9, 16, 19*	**67 454**	41 913
86 948	**90 639**	**Total current liabilities**		**97 238**	95 450
86 948	**90 639**	**Total liabilities**		**100 857**	95 450
1 038 678	**773 297**	**TOTAL EQUITY AND LIABILITIES**		**780 471**	1 044 739

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

Oslo, April 30th, 2018

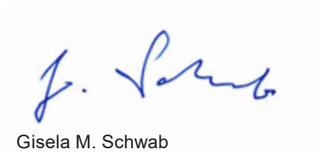
The board of directors and the chief executive officer of Nordic Nanovector ASA

Ludvik Sandnes
Chair

Jean-Pierre Bizzari
Director

Joanna C Horobin
Director

Per Samuelsson
Director



Gisela M. Schwab
Director

Hilde Hermansen Steineger
Director

Tone Kvåle
CFO and Interim CEO

Consolidated statement of changes in equity – Group

For the year ended December 31st

(Amounts in NOK 1 000) GROUP	*Note*	Share capital	Share premium	Equity-settled share-based payments	Accumulated losses	Translation effects	Remeasurement gains (losses)	Total equity
Balance at 01.01.2016		**8 904**	**969 175**	**12 973**	**-278 113**	**-201**	**0**	**712 738**
Loss for the year					-235 510			-235 510
Other comprehensive income (loss) for the year, net of income tax						-252		-252
Total comprehensive income for the year					**-235 510**	**-252**	**0**	**-235 762**
Recognition of share-based payments - options	*12, 13*			6 212				6 212
Recognition of share-based payments - RSUs	*12*			641				641
Issue of ordinary shares	*8*	875	497 789					498 664
Issue of ordinary shares under share options	*8*	16	581					597
Share issue costs			-33 802					-33 802
Balance at 31.12.2016		**9 795**	**1 433 743**	**19 826**	**-513 623**	**-452**	**0**	**949 289**
Loss for the year					-293 814			-293 814
Other comprehensive income (loss) for the year, net of income tax	*21*					86	-1 839	-1 753
Total comprehensive income for the year					**-293 814**	**86**	**-1 839**	**-295 567**
Recognition of share-based payments - options	*12, 13*			23 428				23 428
Recognition of share-based payments - RSUs	*12*			1 297				1 297
Issue of ordinary shares	*8*							0
Issue of ordinary shares under share options and RSUs	*8*	14	1 613					1 627
Share issue costs			-460					-460
Balance at 31.12.2017		**9 809**	**1 434 896**	**44 551**	**-807 437**	**-366**	**-1 839**	**679 614**

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

Consolidated statement of changes in equity – Parent

For the year ended December 31st

(Amounts in NOK 1 000) PARENT	*Note*	Share capital	Share premium	Equity-settled share-based payments	Accumulated losses	Total equity
Balance at 01.01.2016		**8 904**	**969 175**	**6 306**	**-274 244**	**710 141**
Loss for the year					-226 502	-226 502
Other comprehensive income (loss) for the year, net of income tax						0
Total comprehensive income for the year					**-226 502**	**-226 502**
Recognition of share-based payments - options	*12, 13*			1 991		1 991
Recognition of share-based payments - RSUs	*12*			641		641
Issue of ordinary shares	*8*	875	497 789			498 664
Issue of ordinary shares under share options	*8*	16	581			597
Share issue costs			-33 802			-33 802
Balance at 31.12.2016		**9 795**	**1 433 743**	**8 938**	**-500 746**	**951 730**
Loss for the year					-278 933	-278 933
Other comprehensive income (loss) for the year, net of income tax						0
Total comprehensive income for the year					**-278 933**	**-278 933**
Recognition of share-based payments - options	*12, 13*			7 398		7 398
Recognition of share-based payments - RSUs	*12*			1 297		1 297
Issue of ordinary shares	*8*					0
Issue of ordinary shares under share options and RSUs	*8*	14	1 613			1 627
Share issue costs			-460			-460
Balance at 31.12.2017		**9 809**	**1 434 896**	**17 633**	**-779 680**	**682 658**

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

Consolidated statement of cash flow

For the year ended December 31st

PARENT				GROUP	
2016 Restated*	**2017**	*(Amounts in NOK 1 000)*	*Note*	**2017**	2016 Restated*
		Cash flows from operating activities			
-226 502	**-278 922**	Loss before income tax		**-293 433**	-235 171
		Adjustments for:			
-4 465	**-5 846**	Interest received	*5, 10*	**-5 846**	-4 465
1 991	**7 398**	Share option expense employees	*12, 13*	**23 428**	6 212
641	**1 297**	Share-based payment board of directors (RSUs)	*12*	**1 297**	641
0	**0**	Taxes paid	*11*	**-291**	-320
1 160	**1 483**	Depreciation	*15*	**1 483**	1 160
23 395	**-17 086**	Currency (gains) losses not related to operating activities (unrealised)	*10*	**-17 086**	23 395
-2 018	**41 738**	Change in net working capital e.g.	*21, 22*	**41 018**	4 565
-205 798	**-249 938**	**Net cash flows from operating activities**		**-249 430**	-203 983
		Cash flows from investing activities			
-1 498	**-2 513**	Investment in property plant and equipment	*15*	**-2 513**	-1 498
4 465	**5 846**	Interest received	*5, 10*	**5 846**	4 465
2 967	**3 333**	**Net cash flows from investing activities**		**3 333**	2 967
		Cash flows from financing activities			
499 261	**1 627**	Gross proceeds from equity issue	*8, 22*	**1 627**	499 261
0	**-34 262**	Share issue cost	*8, 22*	**-34 262**	0
499 261	**-32 635**	**Net cash flows from financing activities**		**-32 635**	499 261
-23 395	**17 086**	Effects of exchange rate changes on cash and cash equivalents	*10*	**17 086**	-23 395
273 035	**-262 154**	Net change in bank deposits, cash and equivalents		**-261 646**	274 850
739 940	**1 012 975**	Cash and equivalents at beginning of year	*6*	**1 018 217**	743 367
1 012 975	**750 821**	**Cash and equivalents at end of year**	*6*	**756 571**	1 018 217

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

* Refer to note 22 for information on restatements.

Notes to the annual accounts

NOTE 1: GENERAL INFORMATION

Nordic Nanovector ASA ("the company") is a limited company incorporated and domiciled in Norway. The parent company, Nordic Nanovector ASA, is in the annual accounts referred to as “PARENT”. The address of the registered office is:
Kjelsåsveien 168 B, 0884 Oslo.

Nordic Nanovector is a biopharmaceutical company dedicated to extending and improving the lives of patients with haematological cancers through the development and commercialisation of innovative targeted therapeutics.

The company's lead clinical-stage product Betalutin®, is a next generation radioimmunotherapy that targets CD37 and is in development for the treatment of non-Hodgkin's lymphoma. NHL is an indication with substantial unmet medical need and orphan drug opportunities. Betalutin® is a tumour-seeking anti-CD37 antibody conjugated to a low-intensity radionuclide (lutetium-177). It is showing promising efficacy and tolerability in a Phase 1/2 clinical study in a difficult-to-treat NHL patient population.

The company aims to develop Betalutin® for the treatment of patients with relapsed/refractory NHL.
Nordic Nanovector intends to retain marketing rights and to actively participate in the commercialisation of Betalutin® in core markets, while exploring potential distribution agreements in selected geographies.

Nordic Nanovector is committed to building a pipeline of novel ARCs and antibody drug conjugates (ADCs) addressing multiple selected haematological malignancies based on proprietary technologies and expertise, and with technologies from partners where complementary.

These financial statements were approved for issue by the board of directors on April 30th, 2018.

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) unless stated otherwise. The functional currency of Nordic Nanovector ASA is NOK.

Basis of preparation of the annual accounts

The consolidated financial statements for the group and the parent 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 December 31st, 2017 have been applied.

The financial statements have been prepared on the historical cost basis. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in applying the group's accounting policies. 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 2017:

- Amendment to IAS 7 Statement of Cash Flows: Disclosure initiative.
  The improvements to disclosures require companies to provide information about changes in their financing liabilities arising from financing activities, including changes from cash flows and non-cash changes.
  The implementation had no material impact on the financial statements

- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of the disclosure requirements.
  The implementation had no impact on the financial statements.

Consolidation principles

The group's consolidated financial statements comprise the parent company and its subsidiaries as of December 31st, 2017. 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 recognised at fair value and the difference between the consideration and the carrying amount of the non-controlling interests is recognised 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 de-recognised at the date when the control is lost. The fair value of the consideration received is recognised and any investment retained is recognised at fair value. Gain or loss is recognised 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. Currency gains or losses are classified as financial items. 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 recognised 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 recognised 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 recognises the amount in the income statement. Any realised and unrealised 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 organised as one business unit and the internal reporting is structured in accordance with this. The group has thus only one operating segment. Geographic information of assets and liabilities are disclosed in note 19.

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 recognised 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 recognised at the value of the contributions at the transaction date. Grants are not recognised until it is probable that the conditions attached to the contribution will be achieved. The grant is recognised 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 recognised as an expense in the period in which it is incurred. Internal development costs related to the group's development of products are recognised 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 a research and development project is recognised 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 authorisation 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 recognised 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: Two to three years
- Laboratory equipment: Three to five years
- Permanent building fixtures: Two to five years
- Furniture and fittings: Three to five years
- Software: Three 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 recognised as an expense on a straight-line basis over the lease term. Incentives received on negotiating or renewing operating leases are also amortised on a straight-line basis over the lease terms. Any prepaid lease payments are recognised in the statement of financial position and amortised over the lease term on a straight-line basis. Any contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. The group has not entered into any financial 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 amortisation are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 recognised 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 recognised 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 recognised 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 amortised cost using the effective interest method, less any impairment losses. Financial assets are de-recognised 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 categorised 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 recognised 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 recognised 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 recognised 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 recognised initially at fair value and subsequently measured at amortised 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 board directors as consideration for equity instruments (options, performance share units (PSUs) or restricted stock units (RSUs)) 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 recognised 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 recognised 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 recognises 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 recognised as share capital (nominal value) and share premium. The company will be liable for social security on the gain from the share based incentive program. The social security is accrued until the award is exercised/released. The social security is accrued over the corresponding vesting period.

Defined contribution plans
Nordic Nanovector ASA in Norway has a defined contribution pension scheme. The company is exceeding the statutory contribution of 2 per cent and sets up 5 per cent of the annual salary between 0G and 7.1G and 8 per cent of the annual salary between 7.1G and 12G. "G" is the National Insurance Basic Amount set by the Norwegian government each year. There are no contributions made for salaries exceeding 12G. The pension premiums are charged to expenses as they are incurred.

Nordic Nanovector Ltd has established the statutory pension scheme as of January 1st 2018, as required by the UK government. See note 12.

Defined benefit plans
Nordic Nanovector GmbH in Switzerland has a pension scheme with the requirements of the Swiss Federal Social Insurance Legislation (BSV). Depending on the employee's age, the total contribution, which is split between the employee and the company, is between 7 per cent and 18 per cent of the annual salary. The plan is classed as a cash balance plan, valued as a defined benefit plan for IFRS purposes.

Defined benefit plans are valued at the present value of accrued future pension benefits at the end of the reporting period. Pension plan assets are valued at their fair value.

The current service cost and net interest income/costs are recognised immediately and is presented payroll and related expenses in the income statement. Net interest income/costs are calculated by using the discount rate of the liability at the beginning of the period on the net liability, but classified as part of payroll and related costs. Changes in net pension liabilities as a result of payments of premiums and pension payments have been taken into consideration. The difference between the actual return and the accounted return is recognised continuously through other comprehensive income. The pension costs are affecting the payroll and related expenses in the income statement. Actuarial gains and losses, including changes in value, both for assets and liabilities, are recognised through other comprehensive income. Actuarial gains and losses are not reclassified over profit and loss.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised through profit and loss when the curtailment or settlement occurs.

A curtailment occurs when the Group decides to make a material reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan such that a considerable part of the current employees' future earnings will no longer qualify for benefits or will qualify only for reduced benefits.

The introduction of a new defined benefit plan or an improvement to the current defined benefit plan will lead to changes in the pension liabilities. These will be charged to expenses in a straight line during the period until the effect of the change has been accrued. The introduction of new plans or changes to existing plans which take place with retroactive effect so that the employees immediately accrue a paid-up policy (or a change in a paid-up policy) are recognised in the statement of comprehensive income immediately. Gains or losses linked to curtailments or terminations of pension plans are recognised in the statement of comprehensive income when they arise.

Current and deferred tax

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

Deferred taxes are recognised 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 recognised for taxable temporary differences and deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Currently, no deferred tax asset has been recognised 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 realised, 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 December 31st, 2017 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. The 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.

Changes/improvements	Standard
New standards	- IFRS 16 Leases: The new standard requires that the lessee includes assets and liabilities for most leases. The standard will have accounting effect from January 1ST, 2019 and will be implemented using either the full retrospective or modified retrospective method. The new standard will impact the accounting of the lease agreements for office facilities in Oslo and Switzerland, which according to the new standard will be classified as a “right to use asset” and depreciated over estimated time of use (leasing term). It is expected that implementation of IFRS 16 will not have a material effect on the financial statements. See note 15 for information on lease agreements. - IFRS 9 Financial Instruments: The standard replaces IAS 36 Financial Instruments. Recognition and Measurement. The standard will have accounting effect from 1 January 2018 and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 will have no impact on the classification and measurement of the group’s financial assets and hedge accounting. - IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. The standard will have accounting effect from 1 January 2018, but will not have a material effect on the financial statements.
Annual improvements 2012 – 2014	- Amendments to IFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions. The standard is expected to have accounting effect from January 1ST, 2018, but is not yet endorsed by EU. *Implementation will not have material impact on the financial statements.* - Amendments to IAS 19 Plan Amendment, Curtailment or Settlement: The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. It specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. The standard is expected to have accounting effect from January 1ST, 2019, but is not yet endorsed by EU. *Implementation will not have material impact on the financial statements.*

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 recognised 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 recognised in the future. This assumption requires significant management judgment.

Intangible assets

Research costs are recognised in the income statement as incurred. Internal development costs related to the group's development of products are recognised 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 authorisation is obtained with the regulatory authorities. This assessment requires significant management judgement 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 recognises 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 recognised during a period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 13.

NOTE 5: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Nordic Nanovector is currently in a development phase involving activities which entail exposure to various risks. Risk assessment and management is an integral part of Nordic Nanovector's operations. The company puts substantial efforts into identifying, minimizing and mitigating potential impacts from the major risk factors.

Operational and market risks

The process of drug development involves risks, with early stage drug candidates carrying a higher risk of failure than a later stage candidate. Nordic Nanovector's lead product candidate, Betalutin®, is currently undergoing a pivotal Phase 2b clinical trial for treatment of 3L FL. Nordic Nanovector is also undertaking other clinical studies at earlier stages as well as conducting pre-clinical investigation activities. Clinical and earlier stage studies may not prove to be successful due to a number of reasons including safety and efficacy results, delays in patient enrolment and unforeseen changes in regulatory requirements.

Nordic Nanovector aims to obtain regulatory approval and commercialise Betalutin® in core markets. Regulatory authorities may fail to accept the BLA (Biologic License Application)/ MAA (Marketing Authorisation Application) for accelerated/conditional approval of Betalutin® due to changes in the regulatory or competitive environment.

The manufacturing of the products may cause a potential shortage of clinical supplies.

Changes in healthcare environment and reimbursement policy in both EU and the US (i.e., Coverage and Insurance Market Reform, Delivery and Payment System Reform) may impact Nordic Nanovector's ability to charge the desired premium price and/or result in more significant restrictions to Betalutin® coverage, in particular by government-backed reimbursement agencies (NHS in EU, Medicare/Medicaid in the US).

Nordic Nanovector has entered into the pivotal phase with Betalutin®, having started the Phase 2b PARADIGME study, based on promising results in earlier stages. The company's board and management team continuously monitor operations and prepare mitigating actions to minimise the risks related to the research and development activities, including assessments and optimisation of procedures and practice to meet regulatory guidelines, close collaboration with relevant expertise and important stakeholders, engagement with regulatory agencies, investigations on pipeline expansion, monitoring the market and competitive landscape and close follow-up of production facilities.

Financial 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 losses on receivables during 2017. Other current receivables are mainly related to grants from the government institution Research Council of Norway, and deposits for rental of office and lab facilities. The group considers its credit risk as low.

Liquidity risk and capital management

The company closely monitors, plans and reports its cash flow, considering short and long-term forecasts. The group does not have any loan agreements. Financial resources are expected to be sufficient to reach data read-out from PARADIGME. In order to execute the clinical programmes and commercialise the products, the company will require new capital in the future. Management will continue to put strong efforts into focus on efficient operations, close monitoring and planning of the cash resources, and maintaining a clear business development strategy. The primary objective of the group's capital management is to maximise the shareholder value.

Interest rate risk

The Nordic Nanovector group has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which impact the financial income. The Nordic Nanovector group had NOK 5.8 million (NOK 4.4 million) in interest income as of year-end.

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 development expenses. The group is mainly exposed to fluctuations in euro (EUR), pounds sterling (GBP), US dollar (USD) and Swiss franc (CHF).

Exchange rate fluctuations mainly impact cash and cash equivalents in the statement of financial position and financial items in the statement of profit and loss, reported as net currency gains (loss).

Nordic Nanovector strives to identify and manage material foreign currency exposures and to minimise the potential effects of currency fluctuations on the cash flow. In order to achieve this, and to provide an operational hedge for purchases made in foreign currencies, the company has made deposits in foreign currency bank accounts equivalent to the estimated expenditure of these four currencies for the next one to two years. The company's deposits in foreign currencies at year end 2017 amounted to an equivalent of NOK 346.1 million.

The next table shows the company's sensitivity for the year for potential changes in foreign currency exchange rates, with all other factors constant. The impact on the groups profit before tax is mainly due to:

- Change in the fair value of monetary assets and liabilities impacting the value of cash and cash equivalents and financial items.
- Change in NOK value related to purchases in other currencies than NOK during the year, presented as operating expenses.

(Amounts in NOK 1 000)			Effect on profit/loss before tax
Currency [1]	Change in exchange rate [2]	**2017**	2016
EUR	-10%	**-13 029**	-13 377
	+10%	**13 029**	13 377
GBP	-10%	**-349**	-468
	+10%	**349**	468
USD	-10%	**-2 556**	-397
	+10%	**2 556**	397
CHF	-10%	**861**	-902
	+10%	**-861**	902

1) The Nordic Nanovector Group's cash reserves are deposited in NOK, EUR, USD, CHF and GBP.
2) Positive change represents an increased cost in NOK to purchase foreign currency.

NOTE 6: CASH AND CASH EQUIVALENTS

PARENT			GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	**2017**	2016
1 065	**1 651**	Employee withholding tax	**1 651**	1 065
10 265	**10 000**	Fixed rate bank deposit	**10 000**	10 265
1 688	**0**	Paid in share capital related to exercise of options	**0**	1 688
999 957	**739 170**	Variable rate bank accounts	**744 920**	1 005 199
1 012 975	**750 821**	**Total cash and cash equivalents 31.12**	**756 571**	1 018 217

Of the total balance of cash and cash equivalents, NOK 1.7 million (2016: NOK 1.1 million) relates to restricted funds for employee withholding taxes. NOK 10.0 million is deposited from December 12th, 2017 to December 11th, 2018 with a fixed interest rate of 1.75 per cent. Usage of these funds prior to the maturity date would incur a minimum 0.25 per cent fee, calculated based on the principal amount. The remainder of the group's cash is deposited in various banks on variable rate terms. In the group NOK 351.9 million are placed on bank accounts with a different currency than NOK. Of this total, NOK 346.1 million are placements in the parent.

In the group, bank deposits related to office lease of NOK 1.8 million is classified as other current receivables (2016: NOK 1.6 million), hereof NOK 1.3 million is related to the parent in 2017 and 2016.

NOTE 7: GOVERNMENT GRANTS

PARENT				GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	*Note*	**2017**	2016
		Government grants have been recognised in the statement of profit or loss as a reduction for the related expenses with the following amounts:			
2 905	**2 532**	Payroll and related expenses	*12*	**2 532**	2 905
10 448	**11 691**	Other operating expenses		**11 691**	10 448
13 353	**14 223**	**Total**		**14 223**	13 353
		Grants receivable are detailed as follows:			
1 666	**1 666**	Grants from the Research Council BIA [1]	*14*	**1 666**	1 666
309	**240**	Grants from the Research Council PhD [2]	*14*	**240**	309
445	**0**	Grants from the Research Council Eurostars [3]	*14*	**0**	445
6 580	**7 444**	Grants from SkatteFUNN [4]	*14*	**7 444**	6 580
9 000	**9 350**	**Total 31.12**		**9 350**	9 000

1) In 2016, the company received a new grant of up to NOK 15 million from the Research Council of Norway's User-driven Research-based Innovation programme (in Norwegian; Brukerstyrt innovasjonsarena, BIA). The project period is from 2016 to 2018. The purpose of the grant is to support research and development of novel targeted therapeutics for leukaemia and NHL. The grant will be distributed to the company over the course of three years. For the financial period ended December 31st, 2017, the company has recognised NOK 5.0 million (as of December 31st,2016: NOK 5.0 million) classified partly as a reduction of payroll and related expenses, and partly as a reduction of other operating expenses.

2) The Research Council awarded a grant supporting a PhD for the period 2016 through 2019 of NOK 2.2 million. For the financial period ended December 31st, 2017, the company recognised NOK 0.7 million (December 31st, 2016: NOK 0.3 million) 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 period ended December 31st, 2017, the company has recognised NOK 1.0 million (December 31st, 2016: NOK 1.3 million) partly as a reduction of payroll and related expenses, and partly as a reduction of other operating expenses.

4) Research and development projects have been approved for SkatteFUNN grants for the period 2016 through 2017. For the financial period ended December 31st, 2017, the company has recognised NOK 7.4 million compared to NOK 6.6 million for the same period in 2016. The amount was recognised partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.

NOTE 8: SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital as at December 31st, 2017 is NOK 9 808 880 (December 31st, 2016: NOK 9 794 924), being 49 044 402 ordinary shares at a nominal value of NOK 0.20. All shares carry equal voting rights.

	PARENT	
Change in the number of shares during the year:	**2017**	2016
Ordinary shares at 01.01	**48 974 618**	44 519 041
Issue of ordinary shares[1)]	**0**	4 374 244
Issue of ordinary shares under share options[2)]	**56 525**	81 333
Issue of ordinary shares under RSUs[3)]	**13 259**	0
Ordinary shares at 31.12	**49 044 402**	48 974 618

1) Nordic Nanovector raised NOK 498 663 816 in gross proceeds in December 2016 through a private placement of 4 374 244 new shares. The Private Placement was completed at a subscription price of NOK 114 per share, which was determined through an accelerated book-building process.

2) Participants in Nordic Nanovector ASA's second share option programme exercised on January 25th, 2017 a total number of 56 525 options at an average exercise price of NOK 25.85 per share. Each option gives the right to receive one share in the company. The board of directors of the company has approved the exercise of the options and resolved to increase the company's share capital by NOK 11 305 through the issuance of 56 525 new shares, each at a nominal or par value of NOK 0.20.

3) On July 10th, 2017, three of the board members of Nordic Nanovector ASA, Gisela Schwab, Joanna Horobin and Jean-Pierre Bizzari, resolved to settle a total number of 13 259 RSUs. Each restricted share unit (RSU) gives the right to subscribe for one share in the Company at a subscription price of NOK 0.20. The board members were granted the RSUs after the annual general meeting in 2016 after having elected to receive all or part of their remuneration for the period from the annual general meeting in 2016 to the annual general meeting in 2017 in RSUs. The Board of Directors of the Company has, to fulfil the Company's obligations under the RSU agreements, resolved to issue 13 259 new shares at a subscription price of NOK 0.20 per share giving a total subscription price of NOK 2 651.8.

The annual general meeting held on May 24th, 2017, granted an authorisation to the board of directors to increase the share capital with up to NOK 20 000 through the issuance of new shares at par value. The authorisation may only be used to issue shares to members of the company's board of directors as part of the RSU program.

The extraordinary general meeting held on December 20th, 2017 (the "EGM") resolved to issue up to 500 000 free-standing warrants to employees that were awarded Performance Share Units (PSUs.)

The EGM further resolved to issue up to 3 491 429 free-standing warrants to current and former employees who have been awarded options under the company's previous option program. The sole purpose of the free-standing warrants is to ensure delivery of shares in the company upon exercise of the PSUs and the options. The free-standing warrants do not give the PSU holders or the option holders a right to subscribe for any additional shares in the company.

Subject to all vesting conditions being fulfilled, exercise of all the free-standing warrants upon exercise of the related options and all issued PSUs would create a 7.5 % dilution of the outstanding shares on a fully diluted basis.

Nordic Nanovector ASA had 8 258 shareholders as at December 31st, 2017

	Shareholders	Number of shares	Percentage of total shares
1	HealthCap VI L.P.	5 445 833	11.10 %
2	Folketrygdfondet	3 331 897	6.79 %
3	OM Holding AS	1 921 366	3.92 %
4	Nordnet Livsforsikring AS	1 550 095	3.16 %
5	Linux Solutions Norge AS	869 306	1.77 %
6	Sciencons AS (Roy Hartvig Larsen)	794 691	1.62 %
7	Radiumhospitalets Forskningsstiftelse	739 518	1.51 %
8	Must Invest AS	625 000	1.27 %
9	Inven2 AS	541 247	1.10 %
10	VPF Nordea Avkastning	508 251	1.04 %
11	Roy Hartvig Larsen	501 777	1.02 %
12	VPF Nordea Kapital	457 488	0.93 %
13	Skandinaviska Enskilda Banken AB	450 000	0.92 %
14	Ro Invest AS	450 000	0.92 %
15	Netfonds Livsforsikring AS	448 565	0.91 %
16	Birk Venture AS	400 015	0.82 %
17	Clearstream Banking S.A.	383 252	0.78 %
18	KLP Aksje Norge	300 000	0.61 %
19	Statoil Pensjon	292 701	0.60 %
20	Nordnet Bank AB	260 213	0.53 %
	Total shares for top 20 shareholders	20 271 215	41.33 %
	Total shares for other 8 238 shareholders	28 773 187	58.67 %
	Total shares (8 258 shareholders)	**49 044 402**	**100.00 %**

The shares of Nordic Nanovector ASA have been traded on the Oslo Stock Exchange since March 23rd, 2015. The shareholder base has increased from 7 026 shareholders as of December 31st, 2016 to 8 258 shareholders as of December 31st, 2017.

NOTE 9: OTHER CURRENT LIABILITIES

PARENT			GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	**2017**	2016
1 908	**2 938**	Unpaid duties and charges	**3 302**	2 211
2 333	**2 800**	Unpaid vacation pay	**2 800**	2 345
7 294	**6 571**	Accrued social security related to outstanding not exercised options	**12 840**	13 848
19 964	**43 094**	Other accrued costs	**48 512**	23 509
31 499	**55 403**	**Other current liabilities 31.12**	**67 454**	41 913

Social security contributions on share options

The provision for social security contributions on share options is calculated based on the number of options outstanding at the reporting date that are expected to be exercised. The provision is based on market price of the shares at the reporting date December 31st, 2017 of NOK 81.00 per share (2016: NOK 96.75 per share), which is the best estimate of the market price at the date of exercise.

Other accrued costs

Other accrued costs for period ended December 31st, 2017 are mainly related to development cost of the lead product candidate Betalutin® and preclinical activities.

NOTE 10: FINANCE INCOME AND FINANCE EXPENSES

PARENT				GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	*Note*	**2017**	2016
		Finance income			
12	**15**	Interest income on tax repaid	*11*	**15**	12
4 367	**5 831**	Interest income on bank deposits	*5, 6*	**5 845**	4 379
13	**11**	Other finance income		**39**	33
4 392	**5 857**	**Total finance income**		**5 899**	4 424
		Finance expense			
0	**10**	Other fees, charges		**10**	11
0	**10**	**Total finance expense**		**10**	11
		Net currency gain (loss)			
80	**14**	Net currency gain related to operating items	*5, 6*	**114**	172
-23 394	**17 086**	Net currency gain (loss) related to foreign exchange differences of currency bank accounts	*5, 6*	**17 086**	-23 394
-23 314	**17 100**	**Total finance expense**		**17 200**	-23 222
-18 922	**22 947**	**Net finance income (expenses)**		**23 089**	-18 809

All finance income and finance expense are related to financial assets and financial liabilities carried at amortised cost. The group and parent company's finance income largely relates to interest received on bank deposits and currency gain on bank deposits in other currencies than NOK.

Net currency gain or loss related to operating items includes gain or losses related to operating items such as accounts payable and accounts receivable.

Net currency gain (loss) related to revaluation of bank deposits in other currencies than NOK is specified in the table below:

PARENT				GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	*Note*	**2017**	2016
-12 458	**18 860**	EUR	*5, 6*	**18 860**	-12 458
-3 339	**-3 076**	USD	*5, 6*	**-3 076**	-3 339
-1 362	**-135**	CHF	*5, 6*	**-135**	-1 362
-6 235	**1 437**	GBP	*5, 6*	**1 437**	-6 235
-23 394	**17 086**	**Net currency gain (loss)**		**17 086**	-23 394

NOTE 11: INCOME TAX

The difference between income tax calculated at the applicable income tax rate and the income tax expense attributable to loss before income tax are as follows:

PARENT			GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	**2017**	2016
-56 626	**-66 941**	Expected income tax expense/(benefit)	**-66 571**	-56 287
-10 099	**-2 110**	Tax effect on non-taxable income	**-2 110**	-10 099
687	**2 130**	Tax effect on non-deductible expenses	**2 130**	687
60 150	**58 053**	Change in deferred tax asset not recognised	**58 053**	60 150
5 888	**8 879**	Effect of changes in tax rates	**8 879**	5 888
0	**11**	**Income tax expense for the year**	**381**	339

The corporate tax rate in Norway was 24 per cent in 2017 and 25 per cent in 2016. In Switzerland the tax rate was 14.6 per cent in both periods. In UK, tax rate was 19 per cent (20 per cent up till April 1st 2017).

The tax effect of temporary differences and tax losses carried forward are as follows:

2016	**2017**		**2017**	2016
52	**84**	Property, plant and equipment	**84**	52
-1 751	**-1 511**	Provisions	**-1 511**	-1 751
-139 728	**-198 053**	Tax losses carried forward	**-198 053**	-139 728
141 427	**199 480**	Deferred tax assets not recognised	**199 480**	141 427
0	**0**	**Deferred tax asset (liability) 31.12**	**0**	0

As of January 1st, 2018 the tax rate in Norway was reduced to 23 per cent. Deferred tax assets as of December 31st, 2017 have been calculated using a tax rate of 23 per cent.

The group is in the research phase of its product development and has incurred significant tax losses related to its operations. The parent company has a total tax loss carried forward of NOK 861.1 million at December 31st, 2017. At December 31st, 2016 the total tax loss carried forward was NOK 582.2 million. The tax losses can be carried forward indefinitely.

The group nor the parent company has not recognised a deferred tax asset in the statement of financial position as the parent 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 recognised for 2017 and 2016.

The income tax expense in the parent relates to profit before income tax in Nordic Nanovector DK, branch of Nordic Nanovector ASA. Profit before tax in the subsidiaries in UK and Switzerland leads to a tax expense for the group.

NOTE 12: PAYROLL AND RELATED EXPENSES

PARENT				GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	*Note*	**2017**	2016
24 482	**29 901**	Salaries		**46 563**	35 803
3 893	**5 314**	Social security tax		**6 593**	4 932
1 325	**1 643**	Pension expense	*21*	**4 317**	1 978
1 991	**7 398**	Share-based payment employees	*13*	**23 428**	6 212
641	**0**	Share-based payment board of directors (RSUs)*		**0**	641
7 235	**-723**	Accrued employer's social security on share based payment	*13*	**-1 008**	13 788
1 294	**2 121**	Other		**3 248**	1 913
-2 905	**-2 532**	Government grants	*7*	**-2 532**	-2 905
37 956	**43 122**	**Total payroll and related expenses**		**80 609**	62 362
22.4	**25.9**	**Average number of full-time equivalent employees**		**31.4**	26.6

** Share-based payments (RSUs) have in 2017 been classified as other operating expenses in line with the classification of fee to the board of directors.*

Remuneration to management

Total remuneration paid in cash to the members of the management was NOK 21.7 million in 2017 (2016: 18.8 million). In addition, management has been granted options at various exercise prices which are disclosed in this note. The calculated cost of these options are NOK 19.8 million in 2017 and NOK 5.3 million in 2016. These costs have been calculated in accordance with IFRS 2 (refer to note 13 for more information about calculation of fair value of share based payments). The actual benefit related to these options are dependent on the share price at time of exercise and the exercise price and may be different than the cost calculated.

Total remuneration to management during the year ended December 31st is as follows:

	2017			
(Amounts in NOK 1 000)	Salary [1]	Pension expense	Other remuneration[2]	Total
Name and position				
Luigi Costa, CEO[4][5]	5 051	335	282	5 668
Rosemarie Corrigan, CQO[3] [4]	155	0	330	485
Jostein Dahle, CSO	1 633	70	82	1 785
Rita Dege, CHRO	1 519	70	15	1 604
Anniken Hagen, CTOO	1 963	70	53	2 086
Tone Kvåle, CFO	2 514	70	77	2 661
Marco Renoldi, COO[4]	3 338	261	192	3 791
Lisa Rojkjaer, CMO[4]	3 205	197	171	3 573
Total management remuneration	**19 378**	**1 073**	**1 202**	**21 653**

1) Salary includes accrued performance bonus for 2017.

2) Other remuneration includes; benefit of exercised options (if relevant), insurance, car allowance (if relevant), healthcare allowance (if relevant), representation allowance (if relevant) and other.

3) Rosemarie Corrigan was appointed CQO of the company on December 1st 2017.

4) For comparative purposes, the average exchange rate in 2017 for CHF/NOK and GBP/NOK has been used to convert salaries in other currency than NOK.

5) On April 4th 2018, the company announced that Luigi Costa will step down as Chief Executive Officer by mutual agreement with the board of directors. To ensure a smooth transition, Mr Costa agreed to be available to the board until the end of July 2018.

Shares in the company are held by the following members of the management group:

	Position within the company	Employed with the company since	Shares 2017 [2]	Shares 2016 [2]
Name				
Luigi Costa[1]	Chief Excecutive Officer	September 2014	81 115	79 115
Rosemarie Corrigan	Chief Quality Officer	December 2017	0	0
Jostein Dahle	Chief Scientific Officer	January 2011	204 958	204 958
Rita Dege	Chief Human Resources Officer	June 2015	4 754	4 754
Anniken Hagen	Chief Technical and Operations Officer	August 2012	63 585	63 858
Tone Kvåle	Chief Financial Officer	November 2012	179 608	179 608
Marco Renoldi	Chief Operating Officer	November 2014	74 000	74 000
Lisa Rojkjaer	Chief Medical Officer	November 2016	4 186	2 186
Total shares owned by management			**612 206**	**608 479**

1) On April 4th 2018, the company announced that Luigi Costa will step down as Chief Executive Officer by mutual agreement with the board of directors. To ensure a smooth transition, Mr Costa agreed to be available to the board until the end of July 2018.

2) Including shares held by related parties.

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 COO Marco Renoldi, is in the event of termination of the 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 directors 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 December 31st is as follows:

	2016			
(Amounts in NOK 1 000)	Salary [1]	Pension expense	Other remuneration [2]	Total
Name and position				
Luigi Costa, CEO [4][5]	5 011	320	287	5 618
Jostein Dahle, CSO	1 852	77	369	2 298
Rita Dege, CHRO	1 234	55	34	1 323
Anniken Hagen, CTOO	1 905	78	238	2 221
Tone Kvåle, CFO	2 329	67	500	2 896
Marco Renoldi, COO [4]	3 382	258	194	3 834
Lisa Rojkjaer, CMO [4]	316	34	278	628
Total management remuneration	**16 029**	**889**	**1 900**	**18 818**

1) Salary includes accrued performance bonus for 2016.
2) Other remuneration includes; benefit of exercised options (if relevant), insurance, car allowance (if relevant), healthcare allowance (if relevant) and representation allowance (if relevant) and other.
3) Lisa Rojkjaer MD was appointed CMO of the company on November 15th 2016.
4) For comparative purposes, the average exchange rate in 2016 for CHF/NOK and GBP/NOK has been used to convert salaries in other currency than NOK.
5) On April 4th 2018, the company announced that Luigi Costa will step down as Chief Executive Officer by mutual agreement with the board of directors. To ensure a smooth transition, Mr Costa agreed to be available to the board until the end of July 2018.

Share-based incentive programmes

See note 13 for description of the share-based incentive programmes.

Share option programme

The following members of management participate in the company's option program:

Granted options	2014	2015	2016	2017	Outstanding as of 31.12.2017
Option holder					
Luigi Costa, CEO [1]	868 106		220 000	250 000	1 338 106
Rosemarie Corrigan, CQO					0
Jostein Dahle, CSO		105 000	30 000	15 000	150 000
Rita Dege, CHRO		17 000	15 000	35 000	67 000
Anniken Hagen, CTOO		112 000	30 000	35 000	177 000
Tone Kvåle, CFO		175 000	35 000	105 000	315 000
Marco Renoldi, COO	278 137		90 000	96 000	464 137
Lisa Rojkjaer, CMO			340 000	35 000	375 000
Total management remuneration	**1 146 243**	**409 000**	**760 000**	**571 000**	**2 886 243**

1) On April 4th 2018, the company announced that Luigi Costa will step down as Chief Executive Officer by mutual agreement with the board of directors. To ensure a smooth transition, Mr Costa agreed to be available to the board until the end of July 2018.

Share options have not been granted to members of management, after February 2nd 2017.

Exercise price of granted options	2014	2015	2016	2017
Option holder				
Luigi Costa, CEO [1]	25		14.24	90.37
Jostein Dahle, CSO		28	14.24	90.37
Rita Dege, CHRO		28	14.24	90.37
Anniken Hagen, CTOO		28	14.24	90.37
Tone Kvåle, CFO		28	14.24	90.37
Marco Renoldi, COO	30.5		14.24	90.37
Lisa Rojkjaer, CMO			66.74	90.37

1) On April 4th 2018, the company announced that Luigi Costa will step down as Chief Executive Officer by mutual agreement with the board of directors. To ensure a smooth transition, Mr Costa agreed to be available to the board until the end of July 2018.

Performance Share Units (PSUs)

The extraordinary general meeting held on December 20th, 2017 approved the company's new share based incentive programme. The new share based incentive programme provides for the grant of Performance Share Units (PSUs).

The PSUs are granted without consideration. The PSU are non-transferable and will vest three years after the date of grant subject to satisfaction of the applicable vesting conditions. Upon vesting, the holder of the PSUs will receive Nordic Nanovector ASA shares (if any), with the number of shares issuable determined by multiplying the number of PSUs granted by a factor of between 0 per cent and 100 per cent. Vesting of half of the granted PSUs will be determined by an Operational Factor and vesting of the other half will be determined by a Share Price Factor.

The Operational Factor shall be determined by the fulfilment of a selection of pre-defined operational objectives which are considered important for the creation of long term shareholder value. If all objectives are fulfilled the Operational Factor will be set at 100 per cent, which will result in full vesting of half of the granted PSUs.

The Share Price Factor shall be determined by the development of the Company's share price over a three year period using the volume weighted average share price for the 30 trading days immediately following the date of grant and the 30 trading days immediately preceding the third anniversary of the date of grant. Based on this measure, an increase in the share price by more than 60 per cent will result in a Share Price Factor of 100 per cent, which translates into full vesting of half of the PSUs. A share price increase of 20 per cent will result in a Share Price Factor of 33 per cent, which translates into vesting of 33 per cent of the half of the PSUs. Share price increases between 20 and 60 per cent will result in a Share Price Factor between 33 and 100 per cent, calculated linearly. Share price increases below 20 per cent will result in a Share Price Factor of 0 per cent, which will result in half of the PSUs not vesting.

Upon vesting of PSUs the holder of the PSUs will have a right to subscribe for one new share in the Company for each vested PSU, at a subscription price per share corresponding to the par value of the Company's shares currently being NOK 0.20.

PSUs were granted for the first time on January 29th, 2018.

The following members of management have been granted PSUs:

Granted PSUs	Outstanding as of 31.12.2017	Outstanding as of April 30th, 2018
PSU holder		
Malene Brondberg, VP IR & CC	0	20 000
Rosemarie Corrigan, CQO	0	20 000
Jostein Dahle, CSO	0	12 000
Rita Dege, CHRO	0	6 500
Anniken Hagen, CTOO	0	5 000
Tone Kvåle, CFO	0	20 000
Marco Renoldi, COO	0	25 000
Lisa Rojkjaer, CMO	0	25 000
Total	**0**	**133 500**

For more information about share based incentive programmes see note 13 and note 23.

THE BOARD OF DIRECTORS' STATEMENT REGARDING SALARIES AND OTHER REMUNERATION FOR THE MANAGEMENT TEAM

Introduction

This statement regarding salaries and other remuneration for the management team of Nordic Nanovector ASA ("Nordic Nanovector") and its subsidiaries has been prepared by the board of directors of Nordic Nanovector pursuant to section 6-16a of the Norwegian Public Limited Companies Act.

The principles set out below for determination of salaries and other remuneration for the management team shall apply for the period from the annual general meeting in 2018 (the "2018 AGM") and until the annual general meeting in 2019 (the "Period").

The principles set out in this declaration will be subject to approval by the company's shareholders at the 2018 AGM. This statement will be used by the board of directors as a guideline for the Period. However, the main principles for the company's long term equity incentive plan described below will be subject to a separate vote, and will be binding for the board of directors.

The principles set out below are in line with the principles that were approved at the company's annual general meeting in May 2017 (the "2017 AGM") and the company's extraordinary general meeting in December 2017 (the "EGM"). The company has following the 2017 AGM and the EGM complied with these principles.

Overview of the compensation policy

The compensation policy

Nordic Nanovector seeks to entertain a performance oriented culture, where the individual achievement is clearly aligned with the company's overall strategic objectives. The company evaluates and rewards senior management based on their contributions to the achievement of the corporate priorities set early in the year. The performance of each member of the management team is reviewed on an annual basis as further described in the "Compensation report and guidelines" on page 16 of this annual report.

Market comparison

Nordic Nanovector aims to attract and retain talented executives in a competitive market. The board of directors believes it is important to be informed as to the current practices of comparable companies with which the company compete for talent when making compensation decisions as further described in the "Compensation report and guidelines" on page 16 of this annual report.

Compensation policy for each element

Nordic Nanovector's performance-based compensation programme primarily consists of three components: 1) base salary, 2) short term cash bonus and 3) long term equity award. The board of director's view is that these three components best align the interests of the management team with those of the company's shareholders. This alignment is achieved by keeping a substantial portion of the total compensation allocated to "at- risk" performance-based incentives through the use of short term and long term incentive compensation. An appropriate level and mix of compensation components are determined with independent and relevant compensation data as important input.

Base salary

Base salaries for individual members of the management team are reviewed annually by the compensation committee and the board of directors. The salaries are set by taking into consideration the scope of the role, the level of experience of the individual, the geographical location of the role, internal relativity, and external economic environment. The compensation committee also makes reference to the mid-point of the market range for equivalent roles in peer companies.

The overall performance rating, employee potential, and current compensation market competitiveness will be combined to assess any proposed salary revision. The committee also takes into account subjective performance criteria, such as an individual's ability to lead, organise and motivate others.

Short term incentives: Annual cash bonus

The corporate priorities for each year are set by the board of directors and used as the annual objectives for the CEO. For the balance of the management team, a major part of the objectives replicate those of the CEO, with the remaining part representing objectives relevant to the individuals' area of responsibility.

The objectives for the management team are set by the CEO, based on principles defined by the board of directors. Following the end of the year, the level of performance achieved and the amount of bonus to be awarded the members of the management team is reviewed by the compensation committee, in discussion with the CEO, and approved by the board of directors.

The corporate priorities will change from year to year depending on the development of the business, as well as the overall strategic direction. For a further description of the key priorities and the annual cash bonus, see the "Compensation report and guidelines" on page 16 of this annual report.

Long term incentives

The board of directors believes that equity awards create incentives for the management team to further develop and implement the company's long term strategic plan to create long term shareholder value. Equity awards also create an ownership culture, where the interests of the employees and the shareholders are aligned. The vesting requirements of the equity awards provides an incentive to the management team and employees to remain employed during the vesting period, thereby contributing to a valuable retention of management team members and key employees.

The company's long term equity incentive plan (the "EIP") approved at the EGM is described below. The board of directors proposes a continuation of the EIP as further described below.

Eligibility

All employees, including new hire employees, will be eligible for an equity award the EIP", on a discretionary basis, taking into account overall performance, work responsibility, importance of retention, organisation level and position. The EIP succeeds the company's option program which was approved by the company's annual general meetings in 2014, 2015 and 2016 (the "Option Program"). No further options will be granted under the Option Program. The options already issued remain valid with existing terms, and will not be affected by the EIP. For further information about the Option Program, see note 12 to the annual accounts of Nordic Nanovector ASA.

The board of directors will exercise discretion as to who will receive an equity award in any given year, based on recommendations made by the compensation committee.

The board of directors intends to grant awards under the EIP on an annual basis within the maximum size of the awards approved at the company's annual general meeting each year. The annual awards will normally be effected during the first quarter of the financial year following the financial year where the annual general meeting is held. Grants will also be made in connection with new recruitments.

None of the members of the management team and other employees is a party to an employment agreement that provides for an automatic grant of equity incentives. Members of the board of directors will not be eligible to participate in the EIP.

General terms of the EIP

The EIP provides for the grant of performance share units (PSUs). PSUs will be granted by the board of directors to members of the management team and other employees, including new recruitments on a discretionary basis.

The PSUs will vest three years after the date of grant. Upon vesting, the holder of the PSUs will receive Nordic Nanovector ASA shares (if any), with the number of shares issuable determined by multiplying the number of PSUs granted by a factor of between 0 percent and 100 percent. Vesting of half of the granted PSUs will be determined by an Operational Factor and vesting of the other half will be determined by a Share Price Factor.

The Operational Factor shall be determined by the fulfilment of a selection of pre-defined operational objectives which are considered important for the creation of long term shareholder value. If all objectives are fulfilled the Operational Factor will be set at 100 percent, which will result in full vesting of half of the granted PSUs. Partial fulfilment will lead to a partial or no vesting of half of the PSUs.

The Share Price Factor shall be determined by the development of the company's share price over a three year period using the volume weighted average share price for the 30 trading days immediately following the date of grant and the 30 trading days immediately preceding the third anniversary of the date of grant. Based on this measure, an increase in the share price by more than 60 percent will result in a Share Price Factor of 100 percent, which translates into full vesting of half of the PSUs. A share price increase of 20 percent will result in a Share Price Factor of 33 percent, which translates into vesting of 33 percent of the half of the PSUs. Share price increases between 20 and 60 percent will result in a Share Price Factor between 33 and 100 percent, calculated linearly. Share price increases below 20 percent will result in a Share Price Factor of 0 percent, which will result in half of the PSUs not vesting.

Upon vesting of PSUs the holder of the PSUs will have a right to subscribe for one new share in the company for each vested PSU, at a subscription price per share corresponding to the par value of the company's shares.

If the PSU holder resigns or is summary dismissed all unvested PSUs will lapse. If the PSU holder is dismissed all unvested PSUs will laps unless the board of directors decide otherwise. In the event of any share split, combination of shares, dividend payment or other distribution in cash above a certain threshold, rights issue or repair issue standard adjustments will be made. If the PSUs are not replaced with a substitute incentive program or cash settled in full, the PSUs will vest in full in the event of a change of control (as defined in the PSU agreements), a demerger or a merger where the Company is not the surviving entity ("Merger"). In case of a change of control (as defined in the PSU agreements) or a Merger all unvested PSUs shall vest in full if, within 18 months following the completion of such event, the PSU holder's employment is terminated other than for cause as defined in the employment agreement (the "Double Trigger"). The PSU holders are not required to accept a substitute incentive program unless it contains a Double Trigger clause.

Share ownership guidelines

The Board believes that the management team of the Company should own shares in the Company to further align their interests with the long-term interests of shareholders and further promote the Company's commitment to sound corporate governance.

The CEO will be expected to hold a number of shares representing a market value equal to three times the CEO's annual base salary. The other members of the management team will be expected to hold a number of shares representing a market value equal to between one and two times their respective base salary.

Unless a member of the management team has satisfied his or her applicable level of share ownership, he or she is expected to retain an amount equal to 50 percent of the shares received (number of shares remaining after sale of shares to pay any applicable exercise price and tax obligations) as the result of the exercise of any equity awards granted to him or her.

Each member of the management team is expected to satisfy his or her applicable level of share ownership within five years calculated from 1 January 2018 for existing members of the management team, and within five years calculated from the date of employment for new members of the management team.

Current authorisation

The EGM approved the EIP and authorised the board of directors to grant maximum 500 000 PSUs during the period from the EGM to the 2018 AGM, with a maximum of 50 000 PSUs to holders of options under the Option Program on an individual basis. Pursuant to the authorisation granted at the EGM the board of directors has granted 231 550 PSUs (which of 30 000 lapsed April 4th) which are secured by a corresponding number of free-standing warrants as further described in note 12 and note 23 to the annual accounts of Nordic Nanovector ASA.

New authorisation for the Period

As set out in the Statement the board of directors proposes that the shareholders authorise the board of directors to grant a maximum number of 600 000 PSUs under the EIP during the Period, and that the number of PSUs granted to employees during the Period holding options under the Option Program shall not exceed 50 000 PSUs on an individual basis. If 1) the maximum number of PSUs are granted, and if 2) the operational objectives are fulfilled to 100 percent and if 3) the Company's share price increases by more than 60 per cent during the vesting period, this would create 1.1% dilution of the outstanding shares calculated on a fully diluted basis.

The final allocation of PSUs will be determined, and reviewed, on the basis of market competitiveness of the equity component of the compensation package and the overall size of the authorisation granted at the 2018 AGM.

The board of directors further proposes that the shareholders at the 2018 AGM resolves to issue free-standing warrants to employees being awarded PSUs in the Period. The sole purpose of the free-standing warrants is to ensure delivery of shares in the company upon exercise of the PSUs and the free-standing warrants will not give the PSU holders a right to subscribe for any additional shares in the company.

Pension

Nordic Nanovector ASA in Norway has a defined contribution pension scheme. The company is exceeding the statutory contribution of 2 per cent and sets up 5 per cent of the annual salary between 0G and 7.1G; and 8 per cent of the annual salary between 7.1G and 12G for each employee. "G" is the National Insurance Basic Amount set by the Norwegian Government each year. There are no contributions made for salaries exceeding 12G. Nordic Nanovector GmbH in Switzerland has a pension scheme with the requirements of the Swiss Federal Social Insurance Legislation (BSV). Depending on the employee's age, the total contribution, which is split between the employee and the company, is between 7 per cent and 18 per cent of the annual salary. Nordic Nanovector Ltd has for 2018 enrolled the statutory defined contribution pension scheme which is split between the employee and the company, and is 3 per cent of the annual salary.

Other benefits

Benefits to the management team will normally be in line with market practice, including e.g. comprise cell phone expenses and payment of IT and telecommunication expenses. There are no specific restrictions on what other benefits may be agreed. Representation allowance is given, if relevant.

Severance payment

In the event of termination of the employment agreement, for reasons other than cause, the CEO is entitled to 15 months' pay and the accrued target performance bonus up until the date of notice of termination of employment. The COO, is in the event of termination of his employment agreement 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.

Remuneration to the board of directors

Remuneration to the board of directors

The annual general meeting held on May 24th 2017 resolved the following remuneration to the board directors and nomination committee for the period from the annual general meeting May 24th 2017 until the annual general meeting in 2018:

(Amounts in NOK 1 000, exclusive of social security)	Board of directors	Audit committee [1]	Compensation committee [1]	Nomination committee
Chair	475	40	40	45
Director	275	20	20	25

1) The directors of the board are entitled to a fixed compensation of NOK 4 000 per meeting in the subcommittees that they attend. The chairman is entitled to NOK 8 000 per meeting . The remuneration in the table above is the minimum amount for the period.

Jean-Pierre Bizzari, Joanna Horobin and Gisela Schwab also serve as members of the clinical committee. The members are entitled to NOK 4 000 per meeting they attend. NOK 20 000 is the minimum amount for the period. The remuneration is annually invoiced by the director as a consulting fee and based on a consulting agreement.

Remuneration to the board of directors is summarised below:

(Amounts in NOK 1 000, except number of shares)	Served since	**2017**		2016	
		Board fee and fees for committee work	Number of shares as of 31.12[5]	Board fee and fees for committee work	Number of shares as of 31.12[5]
Current board directors					
Ludvik Sandnes, chair [1]	June 2013	515	126 000	490	126 000
Jean-Pierre Bizzari [6]	May 2016	275	3 527	240	
Joanna Horobin [6]	October 2016	295	2 678	144	
Per Samuelsson [3]	November 2014	335		300	
Gisela M. Schwab [6]	March 2015	275	7 054	240	
Hilde Hermansen Steineger [2]	November 2014	335	750	300	750
Previous directors of the board and committees					
Renee P Tannenbaum [4] [5]	May 2016			44	
Total		**2 030**	**140 009**	**1 758**	**126 750**

1) Ludvik Sandnes is also a member of the audit- and compensation committee.
2) Hilde Steineger is also the chair of the audit committee and a member of the compensation committee.
3) Per Samuelson is also the chair of the compensation committee and member of the audit commitee.
4) Renee P. Tannenbaum stepped down from the board of directors on October 12th 2016.
5) Shareholdings are not included for representatives, who are no longer members as of December 31st 2017.
6) Jean-Pierre Bizzari, Joanna Horobin and Gisela Schwab also serve as members of the clinical commitee, which is invoiced as a consulting fee. The fee is not included in the amounts in the table above.

The aggregated remuneration for the board of directors recognised in 2017 was NOK 2.2 million (NOK 1.7 million), hereof NOK 0.9 mill in fees (NOK 1.1 million) and NOK 0.6 million (NOK 0.6 million) in costs related to share-based payments (RSUs) described below. Fee to the board of directors is classified as other operating expenses and includes fees for committee work. In 2016 calculated cost of RSUs was classified as payroll and related costs.

Restricted Stock Units (RSUs)

At the annual general meeting in 2017, the company resolved to issue restricted stock units ("RSUs") to board directors who elect to receive all or parts of their remuneration, for the period from the annual general meeting in 2017 to the annual general meeting in 2018, in the form of RSUs pursuant to the respective restricted share units agreements entered into between the company and the relevant board directors. The RSUs are non-transferable and each RSU give the right and obligation to acquire one share in the company at a price of NOK 0.20 per share (corresponding to the nominal value of the shares) subject to satisfaction of the applicable vesting conditions stated in the RSU Agreement.

The board directors who elect to receive RSUs, must elect to either (i) receive 100% of the compensation in RSUs, (ii) receive 1/3 of the compensation in cash and 2/3 in RSUs, or (iii) receive 2/3 of the compensation in cash and 1/3 in RSUs. The election made by each board director has been set out in the following table. The number of RSUs to be granted to the members of the board of directors is calculated as the NOK amount of the RSU opted portion of total compensation to the board director, divided by the market price for the Nordic Nanovector share. The market price is calculated as volume weighted average share price the 10 trading days prior to the grant date.

Pursuant to the RSU programme, the board directors received the number of RSUs set out below for the 2017-2018 period and hold the total number of RSUs set out below:

Name	Remuneration for the period 2017-2018 in NOK	Allocation between cash and RSUs	Number of RSUs for the period	Market price on grant date[2] in NOK	Number of RSUs exercised in 2017	Total number of RSUs outstanding[3]	Total number of shares
Ludvik Sandnes	515 000	100% RSU	5 517	93.34		27 121	126 000
Jean-Pierre Bizzari	275 000	1/3 RSU	982	93.34	3 527	982	3 527
Joanna Horobin	295 000	2/3 RSU	2 107	93.34	2 678	2 107	2 678
Per Samuelsson[1]	335 000	[1]	0			0	0
Gisela Schwab	275 000	100% RSU	2 946	93.34	7 054	2 946	7 054
Hilde Hermansen Steineger	335 000	2/3 RSU	2 393	93.34		11 211	750
Total			**13 945**		**13 259**	**44 367**	**140 009**

1) Per Samuelsson is not allowed to hold equity in the company due to his affiliation with HealthCap, and will only receive cash.
2) The market price is calculated as volume weighted average share price the 10 trading days prior to the grant date on May 24th, 2017.
3) In addition 647 RSUs are outstanding to prior member of the board, Renee P. Tannenbaum.

NOTE 13: SHARE-BASED INCENTIVE PROGRAMME

The company has share based incentive programs for all employees of the group. There are two existing share based incentive programmes as of date which are described below.

Share option programme

Overview

The option programme was established in 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 5 days prior to grant date. The company may settle options in cash.

As of December 31st, 2017 there were 3 482 843 options outstanding.

The options granted vest in accordance with the following vesting schedule: (i) 25 per cent 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.

The annual general meeting held on May 24th, 2017, voted down the proposed authorization to increase the share capital in connection with the company's share option program. As a consequence the share option program was not continued, but options granted under the program will remain valid with its existing terms.

In accordance with the resolution at the extraordinary general meeting held on December 20th, 2017 the options previously granted are secured by a corresponding number of free-standing warrants. The sole purpose of these warrants is to ensure delivery of shares in the company upon exercise of the options. The warrants do not give the option holders a right to subscribe for any additional shares in the company.

The number of employee share options and average exercise prices:	2017		2016	
	Number of options	Weighted average exercise price in NOK	Number of options	Weighted average exercise price in NOK
Balance at 01.01	2 846 701	29.70	2 171 576	26.77
Granted during the year[1]	719 500	90.37	880 000	34.80
Exercised during the year	-71 439	28.38	-81 333	7.35
Forfeited	-11 919	48.47	-123 542	29.24
Balance at 31.12	**3 482 843**	**42.20**	**2 846 701**	**29.70**
Of which fully vested	1 779 551	27.61	1 050 021	27.28

1) The weighted average fair value of the share options granted during 2017 was NOK 39.39 (2016: 16.05).

Calculation of fair value of share-based payments

Option cost was calculated using the Black-Scholes model. The historic volatility of the Nordic Nanovector share price does not provide sufficient historic data that corresponds to the expected life of the option. The expected volatility is therefore estimated based on the volatility of comparable listed companies. Risk free interest rates should be equal to the expected term of the option being valued. For the options quoted in NOK, rates from Norges Bank on grant date are used (Bonds and Certificates). The rates are interpolated in order to match the expected term.

For calculation of fair value of the options it is assumed that expected exercise is one year after vesting date on all grants except for options granted before March 2015. For options granted before March 2015 expected exercise date is vesting date. 1 754 500 options has been granted after March 2015. The estimate was updated based on experience gained through monitoring the program. Share-based payment expenses recognised in the income statement are disclosed in note 12.

Remaining contractual lifetime of outstanding share options per December 31st 2017:

	Number of options	Average exercise price in NOK
3 - 4 years	1 194 243	26.35
4 - 5 years	692 600	29.11
5 - 6 years	880 000	34.80
6 - 7 years	716 000	90.37
Total	**3 482 843**	**42.20**

The table below shows input and assumptions that have been used for the calculation of fair value of options:

	2017	2016
Dividends (NOK)	0	0
Expected volatility (%)	61%	51%-59%
Risk-free interest rate (%)	0,72% -1,22%	0,41% -1,19%
Average expected life from grant date (years)	3.45	3.24

Performance Share Units (PSU) programme

Overview

The extraordinary general meeting held on December 20th, 2017 approved the company's new share based incentive program and authorised the board of directors to grant up to 500 000 PSUs (Performance Share Units) to the company's employees. As of December 31st, 2017, no PSUs had been granted the company's employees. The board of directors decided to grant 216 550 and 15 000 PSUs on January 29th and April 23rd 2018 respectively (see note 23 for details). In accordance with the resolution at the extraordinary general meeting the PSUs are secured by a corresponding number of free-standing warrants. The sole purpose of these warrants is to ensure delivery of shares in the company upon exercise of the PSUs. The warrants do not give the PSU holders a right to subscribe for any additional shares in the company.

The PSUs are granted without consideration. The PSU are non-transferable and will vest three years after the date of grant subject to satisfaction of the applicable vesting conditions. Upon vesting, the holder of the PSUs will receive Nordic Nanovector ASA shares (if any), with the number of shares issuable determined by multiplying the number of PSUs granted by a factor of between 0 per cent and 100 per cent. Vesting of half of the granted PSUs will be determined by an Operational Factor and vesting of the other half will be determined by a Share Price Factor.

The Operational Factor shall be determined by the fulfilment of a selection of pre-defined operational objectives which are considered important for the creation of long term shareholder value. If all objectives are fulfilled the Operational Factor will be set at 100 per cent, which will result in full vesting of half of the granted PSUs.

The Share Price Factor shall be determined by the development of the Company's share price over a three year period using the volume weighted average share price for the 30 trading days immediately following the date of grant and the 30 trading days immediately preceding the third anniversary of the date of grant. Based on this measure, an increase in the share price by more than 60 per cent will result in a Share Price Factor of 100 per cent, which translates into full vesting of half of the PSUs. A share price increase of 20 per cent will result in a Share Price Factor of 33 per cent, which translates into vesting of 33 per cent of the half of the PSUs. Share price increases between 20 and 60 per cent will result in a Share Price Factor between 33 and 100 per cent, calculated linearly. Share price increases below 20 per cent will result in a Share Price Factor of 0 per cent, which will result in half of the PSUs not vesting.

Upon vesting of PSUs the holder of the PSUs will have a right to subscribe for one new share in the Company for each vested PSU, at a subscription price per share corresponding to the par value of the Company's shares currently being NOK 0.20.

NOTE 14: OTHER CURRENT RECEIVABLES

PARENT				GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	*Note*	**2017**	2016
9 000	**9 350**	Government grants	*7*	**9 350**	9 000
4 110	**3 976**	Refundable VAT		**4 329**	4 421
7 031	**2 804**	Prepaid expenses		**3 383**	7 417
1 343	**1 344**	Rental deposits	*15*	**1 770**	1 597
133	**80**	Account receivables	*16*	**80**	133
804	**611**	Other receivables	*10*	**814**	809
22 421	**18 165**	**Other current receivables 31.12**		**19 726**	23 377

NOTE 15: PROPERTY PLANT AND EQUIPMENT

Year ended 31.12.2017

(Amounts in NOK 1 000) PARENT	Laboratory equipment	Software licences	Office equipment	Permanent building fixtures	Furniture & fittings	Total
Cost at 01.01.2017	2 667	752	1 212	2 085	561	7 277
Additions in the year	196		280	1 679	358	2 513
Disposals in the year						0
Cost at 31.12.2017	2 863	752	1 492	3 764	919	9 790
Accumulated depreciations at 01.01.2017	652	489	1 025	1 640	326	4 132
Depreciations in the year	474	239	207	454	109	1 483
Accumulated depreciation at 31.12.2017	1 126	728	1 232	2 095	435	5 616
Net carrying amount at 31.12.2017	**1 737**	**24**	**260**	**1 669**	**484**	**4 174**
Estimated useful life	3 - 5 years	3 years	2-3 years	2-5 years	3-5 years	
Depreciation method	straight-line	straight-line	straight-line	straight-line	straight-line	

Year ended 31.12.2016

(Amounts in NOK 1 000) PARENT	Laboratory equipment	Software licences	Office equipment	Permanent building fixtures	Furniture & fittings	Total
Cost at 01.01.2016	1 560	752	1 068	1 929	470	5 779
Additions in the year	1 107	0	144	156	91	1 498
Disposals in the year	0	0	0	0	0	0
Cost at 31.12.2016	2 667	752	1 212	2 085	561	7 277
Accumulated depreciations at 01.01.2016	359	227	684	1 481	221	2 972
Depreciations in the year	293	262	341	159	105	1 160
Accumulated depreciation at 31.12.2016	652	489	1 025	1 640	326	4 132
Net carrying amount at 31.12.2016	**2 015**	**263**	**187**	**445**	**235**	**3 145**
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	

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. During the financial year 2017 expenses for research and development was NOK 220.3 million whereas, NOK 188.2 million is classified as other operating expenses and NOK 32.1 million is classified as payroll. In 2016 the research and development expenses was NOK 150.6 million whereas NOK 128.2 million and NOK 22.4 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 parent 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 group rents office premises in Zug, Switzerland and Copenhagen, Denmark.

Rental of office space	Expiry date
Third floor office/laboratory space (incl sub-leased) and basement storage, Oslo, Norway	31.12.2019
Fourth floor office space, Oslo, Norway	31.12.2019
Office space Zug, Switzerland	31.03.2019
Office space Copenhagen, Denmark	14.08.2018

Future minimum rental payable under non-cancellable operating leases as of 31.12.

PARENT 2016	PARENT **2017**	*(Amounts in NOK 1 000)*	GROUP **2017**	GROUP 2016
1 960	**2 070**	Within 1 year	**4 336**	2 808
2 936	**2 020**	Within 1-5 years	**2 544**	3 143
0	**0**	Over 5 years	**0**	0
4 896	**4 090**	**Total**	**6 880**	5 951

Minimum lease payments recognised as an operating lease expense.

2016	**2017**	**2017**	2016
2 051	**2 144**	**3 875**	3 044

NOTE 16: TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the company and related parties.
During the year, the company entered into the following transaction with related parties:

	Sales (included in revenue)		Purchases (included in other operating expenses)	
(Amounts in NOK 1 000)	**2017**	2016	**2017**	2016
Subsidiary - Nordic Nanovector GmbH [1]	**0**	0	**25 232**	15 886
Subsidiary - Nordic Nanovector Ltd [1]	**0**	0	**7 258**	5 895
Companies controlled by previous director of the board and shareholder [2]	**302**	314	**0**	73
Jean-Pierre Bizzari [3]	**0**	0	**20**	0
Joanna Horobin [3]	**0**	0	**20**	0
Gisela M. Schwab [3]	**0**	0	**20**	0

	Amounts owed by related parties (included in other receivables		Amounts owed to related parties (included in accounts payables or current liabilities to group companies)	
(Amounts in NOK 1 000)	**31.12.2017**	31.12.2016	**31.12.2017**	31.12.2016
Subsidiary - Nordic Nanovector GmbH [1]	**0**	0	**4 455**	2 671
Subsidiary - Nordic Nanovector Ltd [1]	**0**	0	**2 355**	1 102
Companies controlled by previous director of the board and shareholder [2]	**0**	133	**0**	42

1) Transactions and balances are eliminated in the reporting for the group.
2) Stepped down from the board in May 2016, but is a shareholder as of December 31st 2017.
3) Consultant fee for serving as a member of the clinical committee.

NOTE 17: EARNINGS PER SHARE (EPS)

Basic EPS is calculated by defining the profit for the year attributable to ordinary equity holders of the parent by the weigthed average number of ordinary shares outstanding during the year. The calculation of basic and diluted earnings per share attributable to the ordinary shareholders of the parent is based on the following data:

PARENT			GROUP	
2016	**2017**	*(Amounts in NOK 1 000, except number of shares)*	**2017**	2016
-226 502	**-278 933**	Loss for the year	**-293 814**	-235 510
44 776 248	**49 030 654**	Average number of outstanding shares during the year	**49 030 654**	44 776 248
-5.06	**-5.69**	**Earnings (loss) per share - basic and diluted (in NOK per share)**	**-5.99**	-5.26

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

NOTE 18: AUDITORS FEE

Fees to auditors (exclusive of VAT) for the year ended December 31st.

PARENT			GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	**2017**	2016
250	**250**	Audit fee	**500**	287
142	**515**	Audit related work	**515**	142
201	**204**	Tax services	**204**	201
0	**0**	Other non-audit services	**0**	78
593	**969**	**Total**	**1 219**	708

In 2017 audit fees and non-audit services to auditors other than the group auditor was NOK 0.04 million and NOK 0.09 million respectively (2016: NOK 0.04 million and NOK 0.08 million respectively).

NOTE 19: SEGMENTS

The group's lead product candidate Betalutin®, is still in the development phase. For management purposes, the group is organised as one business unit and the internal reporting is structured in accordance with this.

Geographical breakdown of assets and liabilities:

	31.12.2017		
(Amounts in NOK 1 000)	Norway	Switzerland	United Kingdom
Assets			
Non-current assets	4 174	0	0
Current receivables	18 165	1 280	281
Cash and cash equivalents	750 821	5 659	91
Liabilities			
Total current liabilites	90 092	5 557	1 589

	31.12.2016		
(Amounts in NOK 1 000)	Norway	Switzerland	United Kingdom
Assets			
Non-current assets	3 145	0	0
Current receivables	22 421	710	246
Cash and cash equivalents	1 012 975	3 794	1 448
Liabilities			
Total current liabilites	89 729	3 667	2 054

Assets and liabilities are broken down by geographical areas based on the location of the companies.

NOTE 20: INFORMATION ABOUT SUBSIDIARIES

The consolidated financial statements of the group include:

(Amounts in NOK 1 000)			Equity of interest	
Name	Country of incorporation	Book value	**2017**	2016
Nordic Nanovector GmbH	Switzerland	137	**100%**	100%
Nordic Nanovector Ltd	United Kingdom	0	**100%**	100%

Nordic Nanovector ASA is a public limited company incorporated and domiciled in Norway and is the parent company in the group. The group's operations are carried out by the parent 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 Grafenauweg 10, Zug, Switzerland. Nordic Nanovector Ltd is incorporated in London, England, with its registered address at Paternoster House, 65 St. Paul's Churchyard, London EC4M 8A, United Kingdom. Nordic Nanovector also has operations in Denmark through Nordic Nanovector DK, a branch of Nordic Nanovector ASA. The branch was established in October 2017.

NOTE 21: PENSION

PARENT				GROUP	
2016	**2017**	*(Amounts in NOK 1 000)*	*Note*	**2017**	2016
1 325	**1 643**	Pension contributions parent		**1 643**	1 325
0	**0**	Defined benefits plan in Nordic Nanovector GmbH		**2 674**	653
1 325	**1 643**	**Total pension expense**	***12***	**4 317**	1 978

The parent company has a defined contribution pension scheme that complies with the requirements of Norwegian occupational pension legislation (OTP). 30 employees in the parent are included in this scheme as at December 31st 2017 (2016: 23 employees). Nordic Nanovector GmbH has a pension scheme that complies with the requirements of the Swiss Federal Social Insurance Legislation (BSV). The plan is classed as a cash balance plan, valued as a defined benefit plan for IFRS purposes (IAS 19). The plan has 5 active participants and no pensioners as at December 31st, 2017 (2016: 3 employees). Nordic Nanovector Ltd has on January 1st, 2018 established a statutory pension scheme as required by the UK government.

Defined benefit plan

Description of plan characteristics and associated risks

Nordic Nanovector GmbH meets its obligations to provide retirement and risk benefits to employees via a (fully insured) contract with Sammelstiftung BVG Allianz Suisse Lebensversicherungs-Gesellschaft ("Allianz"). The company has overall responsibility for deciding on the level and structure of plan benefits subject to certain minimum legal requirements. The plan is governed by Allianz. The company has a pension committee which is equally represented by employees and employer representatives. The duties of the pension committee are expressed in the organisational rules of Allianz and mainly cover choice of appropriate plan design, control of contributions into the plan, periodic information to its plan members, use of excess assets if any and others.

The company and employees pay fixed contributions to the plan. Each employee has an account balance which consists of accumulated contributions and interest credited by Allianz. The level of interest granted each year is discretionary and determined by Allianz considering the minimum legal requirements for interest. At retirement, employees can choose whether to take their benefits as a lump sum or receive an annual pension. The amount of annual pension depends on the factor in force at the time of retirement that is set by Allianz. The plan is classed as a cash balance plan, valued as a defined benefit plan for IFRS purposes.

The plan includes a number of guarantees which expose the company to risks. The main risks that the plan has include:

Investment risk:
There is a guaranteed return on employees' account balances of at least 0% p.a. on the total account balance. The investment strategy is set by Allianz and therefore the asset held by the company is effectively the insurance contract rather than the underlying assets.

Pensioner longevity and investment risk:
The pension plan offers a lifelong pension in lieu of the cash lump sum at retirement. The plan has defined rates for converting the lump sum to a pension and there is the risk that the members live longer than implied by these conversion rates and / or that the pension assets don't achieve the investment return implied by these conversion rates.

The nature of the risks of Swiss pension plans means that plans can become underfunded if assumptions are not borne out in practice; however, these risks are borne by Allianz and effectively the company's plan has constantly a funding level of 100% according to funding requirements. The company remains responsible for providing benefits to members if the Allianz contract is cancelled or Allianz is unable to meet its obligations. If the contract is cancelled, or Allianz is unable to meet its obligations, it could be possible to take out an equivalent contract with a different provider. The Allianz contract is automatically renewed each year.

Determination of economic benefit available

No determination of economic benefit available has been made since the plan has a deficit according to the IAS 19 valuation.

		GROUP	
Balance sheet position	*(Amounts in NOK 1 000)*	01.01.2017	**31.12.2017**
Defined benefit obligation		-6 411	**-17 260**
Plan assets		5 019	**13 641**
Defined benefit (liability)		-1 392	**-3 619**

Assumptions	01.01.2017	**31.12.2017**
Discount rate	0,70 %	**0,60 %**
Interest credit rate	0,70 %	**0,60 %**
Annual salary increase	1,25 %	**2,00 %**
Actuarial tables	BVG 2015	**BVG 2015**
Turnover rates	200% BVG 2015	**200% BVG 2015**

	2017
Remeasurement gain (losses) on defined benefit plans	**1 839**

NOTE 22: RESTATED CONSOLIDATED STATEMENT OF CASH FLOW 2016

In the consolidated cash flow for 2016 the change in accounts payable related to the equity issue in December 2016 was classified as a change in working capital. In the restated consolidated cash flow, this change is reclassified and restated as part of the net proceeds from equity issue.

GROUP		Full year	
(Amounts in NOK 1 000)	2016 as reported	Reclassification	2016 as restated
Cash flow from operating activities			
Changes in working capital and non-cash adjustments	38 367	-33 802	4 565
Net cash flow from operating activities	**-170 181**	**-33 802**	**-203 983**
Cash flows from financing activities			
Net proceeds from equity issue	465 459	33 802	499 261
Cash flows from financing activities	**465 459**	**33 802**	**499 261**

PARENT		Full year	
(Amounts in NOK 1 000)	2016 as reported	Reclassification	2016 as restated
Cash flow from operating activities			
Changes in working capital and non-cash adjustments	31 784	-33 802	-2 018
Net cash flow from operating activities	**-171 996**	**-33 802**	**-205 798**
Cash flows from financing activities			
Net proceeds from equity issue	465 459	33 802	499 261
Cash flows from financing activities	**465 459**	**33 802**	**499 261**

NOTE 23: EVENTS AFTER THE REPORTING DATE

The Board of Directors of Nordic Nanovector ASA has on January 29th, and April 23rd, 2018, decided to grant respectively, 216 550 and 15 000 Performance Share Units ("PSUs") to current and newly hired employees in accordance with the authorisation granted at the Extraordinary General Meeting held on December 20th, 2017 (the "EGM").

The PSUs are granted without consideration. The PSU are non-transferable and will vest three years after the date of grant subject to satisfaction of the applicable vesting conditions. Each vested PSU will give the holder the right to acquire one share in the Company at an exercise price corresponding to the par value of the shares being NOK 0.20.

In accordance with the resolution at the EGM the PSUs and the options previously granted are secured by a corresponding number of free-standing warrants. The sole purpose of the warrants is to ensure delivery of shares in the Company upon exercise of the PSUs and options. The warrants do not give the PSU holders or the option holders a right to subscribe for any additional shares in the Company.

The total number of outstanding options and PSUs are as of April 30th, 2018, 3 109 908 and 201 550 respectively. Subject to all vesting conditions being fulfilled, exercise of the options and PSUs would create a 6.3% dilution of the outstanding shares on a fully diluted basis.

Number of options and PSUs outstanding for the management as per April 30th, 2018:

	Number of options outstanding	PSUs outstanding
Name		
Luigi Costa	965 171	0
Malene Brondberg, VP IR & CC	0	20 000
Rosemarie Corrigan, CQO	0	20 000
Jostein Dahle, CSO	150 000	12 000
Rita Dege, CHRO	67 000	6 500
Anniken Hagen, CTOO	177 000	5 000
Tone Kvåle, CFO	315 000	20 000
Marco Renoldi, COO	464 137	25 000
Lisa Rojkjaer, CMO	375 000	25 000
Total options and PSUs for the management as of April 30th, 2018	**2 513 308**	**133 500**

On April 4th 2018, the company announced that Luigi Costa will step down as Chief Executive Officer by mutual agreement with the board of directors. A search for a new CEO started immediately. To ensure a smooth transition, Mr Costa agreed to be available to the board until the end of July 2018.

On April 4th, 2018, Nordic Nanovector provided an update on its clinical development programme, including updated guidance on expected milestones for the pivotal PARADIGME trial.

The company revised its timelines for the pivotal PARADIGME Phase 2b trial with Betalutin® in third line (3L) follicular lymphoma (FL) patients based on a re-assessment of expected recruitment rates and on a delay in gaining Health authority approval in Norway to start the study. Results from PARADIGME are targeted for 1H 2020 (previously 2H 2019) and first regulatory filing in 2020. The first patient is expected to be dosed in 1H 2018.

Guidance is unchanged for previously reported milestones for ARCHER-1 (Betalutin® plus rituximab in second line FL; first patient dosed) and LYMRIT 37-05 (Betalutin® in R/R diffuse large B cell lymphoma, DLBCL; preliminary data read-out), both targeted to 2H 2018.

In re-focusing its resources towards PARADIGME and its other Betalutin® clinical programmes, the company decided to postpone the start of the first-in-human clinical trial with Humalutin® for the foreseeable future; this study was being prepared to start in 2H 2018.

Financial resources are expected to be sufficient to reach data read-out from PARADIGME.

On April 20th, 2018, Tone Kvåle was appointed to the position of Interim Chief Executive Officer (CEO) in addition to her current role as Chief Financial Officer.

Auditor's report

Statsautoriserte revisorer
Ernst & Young AS

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Nordic Nanovector ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nordic Nanovector ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2017, statement of profit and loss and other comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Key audit matters

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

Other information

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

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

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

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

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

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 April 2018
ERNST & YOUNG AS

Tommy Romskaug
State Authorised Public Accountant (Norway)

Annual statement on corporate governance

Nordic Nanovector ASA (the "company" or "Nordic Nanovector") 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 October 30th, 2014, issued by the Norwegian Corporate Governance Board (NCGB), or explain possible deviations from the Code. The Code can be found at 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 January 27th, 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 of the company has adopted several corporate governance guidelines, including rules of procedure for the board of directors, instructions for the audit committee, instructions for the compensation committee, instructions for the nomination committee, instruction for handling inside information, insider policy for primary insiders and employees that are not primary insiders, an anti-corruption manual and a corporate social responsibility policy.

The board of directors will ensure that the company at all times has sound corporate governance. An annual statement on the company's corporate governance is included in the company's annual report to the shareholders and on the company's web page.

Deviations from the Code: None

2. Business

Nordic Nanovector 's business is clearly defined in the company's articles of association as follows:

"The objective of the company is to develop, market and sell medical products and equipment and to run business related thereto or associated therewith." The strategies and primary objectives of the company are described 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.

Total issued share capital at December 31st, 2017 amounted to NOK 9 808 880.40, divided into 49 044 402 shares, each with a par value of NOK 0.20.

The equity ratio at December 31st, 2017 was 87.1% per cent and is considered suitable by the board of directors. The board of directors has a clear and predictable dividend policy, which is also disclosed in the company's annual report: The financial resources of Nordic Nanovector are directed towards the clinical development of Betalutin® alone and in combination with other treatments, further investigations in the company's product pipeline and preparing the market for product launch. The company does not anticipate paying any cash dividend until sustainable profitability is achieved. The mandates to the board to increase Nordic Nanovector's share capital is tied to defined purposes, and limited in time no later than the date of the next annual general meeting.

The annual general meeting held May 24th, 2017 granted an authorisation to increase the share capital by an amount limited to 10 per cent of the share capital, to be used to strengthen the company's equity, for general corporate purposes, including but not limited to financing of acquisitions of other companies, businesses or assets including issuance of consideration shares in connection with the above mentioned transactions. The authorisation has not been used. The authorisation is valid until the next annual general meeting, but no longer than June 30th, 2018.

The annual general meeting held May 24th, 2017 further granted an authorisation to increase the share capital by an amount limited to NOK 20 000 at a subscription price corresponding to the par value of the shares. The authorisation may only be used to issue shares to members of the company's board of directors who has elected to receive all or part of their board remuneration in the form of restricted stock units ("RSUs"). The authorisation is valid until May 24th, 2019. The authorisation has been used to issue 13 259 new shares to three board members that have exercised the RSUs awarded to them in 2016. The number of RSUs currently outstanding are 45 014.

The extraordinary general meeting held on December 20th, 2017 (the "EGM") approved the company's new share based incentive program and authorised the board of directors to grant up to 500 000 PSUs to the company's employees. The EGM further resolved to issue up to 500 000 free-standing warrants to employees that were awarded PSUs. The EGM further resolved to issue up to 3 491 429 free-standing warrants to current and former employees who have been awarded options under the company's option program that was discontinued and replaced by the new share based incentive program at the EGM. The sole purpose of the free-standing warrants is to ensure delivery of shares in the company upon exercise of the PSUs and the options. The free-standing warrants do not give the PSU holders or the option holders a right to subscribe for any additional shares in the company. See note 12 in the annual accounts of this annual report for information about the number of options, PSUs and free-standing warrants that are outstanding and their terms and conditions.

Deviations from the Code: None

4. Equal treatment of shareholders and transaction with close associates

It is the company's policy to treat all shareholders equally. Nordic Nanovector 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 0.20.

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.

In the event of a material transaction between the company and its shareholders, a shareholder's parent company, members of the of board, executive management or closely-related parties of any such parties, the board will arrange for a valuation to be obtained from an independent third party unless the Code provides an exemption.

Members of the board of directors and executive management are obliged to notify the board of directors 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 any transactions with related parties in the annual report.

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 meetings

The board of directors strives 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 of directors. The chair 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.

The 2018 annual general meeting will be held on May 30th, 2018. Shareholders who are unable to participate themselves may cast a vote on each agenda item electronically or vote by proxy. The 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. The 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 and guidelines for registering and voting at the general meeting. The company provides information on the procedure for representation at the general meeting through proxy, and a proxy form which allows separate voting instructions for each matter is attached to the notice.

Deviations from the Code: With four out of six board members located outside Norway, not all board directors participate in the AGM following practical and cost related considerations.

7. Nomination committee

The nomination committee is laid down in the company's articles of association and the general meeting has stipulated guidelines for the duties of the nomination committee. The nomination committee consists of three members. The general meeting elects the members of the nomination committee, its chair and determines the committee's remuneration. The majority of the members shall be independent of the board of directors and the management. No more than one member of the committee shall be a board director, and any such member shall not offer himself for re-election to the board. The nomination committee shall not include the chief executive or any other executive personnel.

All shareholders are invited to propose candidates for the board of directors and the nomination committee. Information about the procedure is available at www.nordicnanovector.com/our-company/leadership/nomination-committee/nominations.

The annual general meeting held on May 19th, 2016, elected Johan Christenson (chair), Ole Peter Nordby and Olav Steinnes as members of the nomination committee. The nomination committee's duties 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 consists of; Ludvik Sandnes (chair), Jean-Pierre Bizzari, Joanna Horobin, Per Samuelsson, Gisela M. Schwab and Hilde H. Steineger.

Ludvik Sandnes (chair), Jean-Pierre Bizzari, Joanna Horobin, Gisela M. Schwab and Hilde H. Steineger are independent of the company's executive personnel, material business contacts and the company's major shareholder(s). Per Samuelsson is independent of the company's executive personnel and material business contacts.

At the annual general meeting held on May 24th, 2017, article 5 of the articles of association was amended to reflect that the board members shall serve for a term that ends at the next annual general meeting. All the board members are consequently up for election at the annual general meeting in 2018. The biographies of the board members are presented on the company's website and the board members' shareholding in Nordic Nanovector ASA is disclosed in note 12 to the annual accounts. An overview of the board members' attendance at board meetings is included in their respective biographies in this report
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 based on work performed and experiences gained 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 audit committee is also advisory and preparatory for the full board in questions related to accounting, audit and finance. The board of directors has established a compensation committee consisting of Per Samuelsson (chair), Joanna Horobin, Ludvik Sandnes and Hilde H. Steineger which is a preparatory and advisory committee for the board in questions relating to the company's compensation of the executive management. The board of directors has also established a clinical committee consisting of Jean Pierre-Bizzari, Joanna Horobin and Gisela Schwab. The board has also established instructions for the committees and the CEO.
Deviations from the Code: None

10. Risk management and internal control

The board ensures 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.

In addition to the annual risk assessment, the management present quarterly financial statements that will inform the board and shareholders on current business performance, including risk. These reports are reviewed by the board. Significant risks include strategic risks, financial risks, liquidity risks and operational risks including risks related to development of products. The company's significant risks are assessed on an ongoing basis and at least once a year by the board.

The company's finance function is responsible for the preparation of the financial statements and to ensure that these are prepared and reported according to applicable laws and regulations and in accordance with IFRS as adopted by EU. The audit committee performs reviews of the quarterly and annual financial statements with special focus on transaction types which includes judgments, estimates or issues with major impact on the financial statement. Management controls are performed at a senior level in the company.
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 board members. The company has, however, granted restricted stock units to board members that have elected to receive all or part of their remuneration determined by the annual general meeting (the "AGM") in advance in the form of restricted stock units. The number of restricted stock units allocated to the board directors is determined on the basis of the volume weighted share price 10 trading days prior to the AGM. The remuneration of the board is thus not linked to the company's performance. If board members, or companies associated with board members, take on specific assignments for the company in addition to their appointments as board members 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 and included in the annual report. The performance-related remuneration of the executive personnel, such as equity incentives and bonus programmes, are linked to value creation for shareholders.
Deviations from the Code: None

13. Information and communications

Nordic Nanovector is committed to treat all shareholders equally and 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, capital markets day 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 release of interim reports
Deviations from the Code: None

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

14. 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 with 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

Approved by the board of directors April 30th, 2018.

Corporate social responsibility policy

INTRODUCTION

Nordic Nanovector's **vision** is to significantly advance the treatment of cancer patients with innovative precision therapies.

Nordic Nanovector's **mission** is to extend and improve the lives of patients with haematological cancers by developing and commercialising innovative Antibody Radionuclide Conjugates (ARCs).

Our values are defined as the following:

- **Put patients first**
  Everything we do is driven by the safety, health and well-being of patients.
- **Be inspired by science, committed to quality**
  Our company's efforts are based on strong scientific principles and adherence to high quality standards.
- **Strive to innovate and succeed**
  We believe that innovation drives value creation and we attempt to incorporate original and diverse thinking into our development and business strategies.
- **Deliver on promises to stakeholders**
  We honour our commitments to patients, healthcare professionals, shareholders and employees.
- **Work collaboratively and cross-functionally**
  Our multidisciplinary team works collaboratively to determine priorities and inform fast and accurate decision-making.
- **Act with integrity**
  Our credibility and reputation as a company is built on honesty and transparency with all stakeholders.

The company is in a development phase, with a strong focus on activities aiming to achieve regulatory approval of its product candidates.

These priorities form an important background for the company's priorities of CSR topics. Responsible behaviour is key to build trust and protect reputation.

Focus on health, safety and good working environment for employees.

Nordic Nanovector's ability to succeed also depends on the interest, trust, relations and reputation among R&D partners, employees, regulatory authorities, shareholders and other stakeholders; across the value chain of the product candidate and in every phase of the R&D cycle.

Consequently, Nordic Nanovector focuses its CSR efforts on the following areas and stakeholders:

- Safety & well-being of patients and employees
- Compliance towards all stakeholders
- R&D and business ethics in relation to all stakeholders

POLICY

Nordic Nanovector is committed to build a responsible and credible business based on sustainable and sound business principles, with respect for people, the environment and society. Responsible behaviour should be a prominent role in all parts of our operations and in all interaction with our stakeholders.

Nordic Nanovector has established the following key principles, reflecting the company's vision and values, nature of business, and key stakeholders:

- **Patients first**
  Everything we do is driven by the safety, health and well-being of patients.
- **Focus on health, safety and good working environment for employees**
  Employees' safety, well-being and job satisfaction are prerequisites to succeed in building a responsible and credible business. Nordic Nanovector shall have processes and measures in place to safeguard these concerns.
- **Integrity and high ethical standards**
  Every action taken by Nordic Nanovector, its board of directors and employees, should be characterised by strong integrity, high ethical standards and professional practices. The company shall have ethical standards and guidelines for whistle blowing. Nordic Nanovector enforces anti-bribery standards in line with international business standards.
- **Respect for the external environment.**
  Any business activity performed by the company, which has a potentially negative impact on the external environment should be conducted in an environmentally friendly way.
- **Compliance**
  Medical research and development is subject to strict legal requirements. Nordic Nanovector is committed to operate in accordance with responsible, ethical and sound corporate and business principles, and will at all times strive to comply with applicable laws and regulatory requirements. Each employee must at all times comply with the company's ethical guidelines, SOP, GXP requirements and any other framework applicable to the company's activities.

Approved by the board of directors April 30th, 2018.

CSR focus areas

1. Safety & well-being of patients and employees
2. Compliance towards all stakeholders
3. R&D and business ethics in relation to all stakeholders
4. Environmental friendly supply, storage and handling of Betalutin®

Glossary of terms

- **1L, 2L, 3L:** First, second and third line of treatment
- **(A)SCT:** (Autologous) stem cell transplant
- **ADC:** Antibody-Drug-Conjugate
- **AML:** Acute Myeloid Leukemia
- **ARC:** Antibody-Radionuclide-Conjugate
- **ARCHER-1:** Name of Nordic Nanovector's combination study; Betalutin® and rituximab
- **ASH:** American Society of Hematology
- **B-cell:** A type of lymphocyte (white blood cell) in the humoral immunity of the body's adaptive immune system. Can be distinguished from other lymphocytes by the presence of a protein on the B-cell's outer surface known as a B cell receptor (BCR). This specialized receptor protein allows a B-cell to bind to a specific antigen.
- **CD20:** B-lymphocyte antigen CD20 is an activated-glycosylated phosphoprotein expressed in the surface of all B-cells beginning at the pro-B phase and progressively increasing in concentration until maturity
- **CD37:** B-lymphocyte antigen CD-37 is a protein, a member of the transmembrane 4 superfamily, also known as the tetraspanin superfamily of cell surface antigens
- **Betalutin®:** Nordic Nanovector's lead clinical-stage candidate
- **BLA:** Biologics license applications
- **chHH1:** Chimeric version of the HH1 antibody
- **CLL:** Chronic Lymphocytic Leukemia
- **CR:** Complete Response
- **CRO:** Contract Research Organisation
- **CSR:** Corporate Social Responsibility
- **DLBCL:** Diffuse Large B-Cell Lymphoma
- **DoR:** Duration of Response
- **EANM:** European Association of Nuclear Medicine
- **EMA:** European Medicines Agency
- **EMEA:** Europe, Middle East, and Africa
- **EU:** European Union
- **FDA:** Food and Drug Administration (US)
- **FL:** Follicular Lymphoma
- **GMP:** Good Manufacturing Practice
- **Haem-Oncs:** Haematologist-oncologist
- **Humalutin®:** Chimeric anti-CD37 ARC
- **IAS:** International Accounting Standards
- **ICML:** International Conference on Malignant Lymhoma
- **IFRS:** International Financial Reporting Standards
- **IND:** Investigational New Drug
- **iNHL:** Indolent non-Hodgkin Lymphoma
- **LCM:** Life-cycle management
- **Lilotomab (llo):** Betalutin® consists of the radionuclide lutetium-177 conjugated to the B-cell seeking anti-CD37 antibody lilotomab
- **Lu-177:** Radionuclide lutetium-177
- **Lymphoma:** Cancer of the immunosystem and white blood cells
- **LYMRIT 37-01:** Clinical study for Betalutin® in 3L R/R FL
- **LYMRIT 37-05:** Clinical study for Betalutin® in DLBCL

- **MAA:** Marketing Authorisation Application
- **mAb:** Monoclonal antibody
- **MBq:** Megabecquerel (radioactivity measurement unit)
- **MCL:** Mantle Cell Lymphoma
- **MD:** Medical Doctor
- **Medicare:** US government reimbursement program for insured elderly
- **MoA:** Mechanism of Action
- **MSL:** Medical science liaison
- **n:** Number
- **nASCT:** Not eligible for autologous stem cell transplant
- **NHL:** Non-Hodgkin Lymphoma
- **NM:** Nuclear medicine specialist
- **NNV003:** Chimeric anti-CD37 antibody developed by Nordic Nanovector
- **ORR:** Overall Response Rate (CR plus PR)
- **PARADIGME:** name of Nordic Nanovector's pivotal Phase 2b study
- **PCT:** Patient Coorporation Treaty
- **PD:** Progressive Disease
- **PFS:** Progression Free Survival
- **PR:** Partial Response
- **QoL:** Quality of Life
- **R/R:** Relapsed/refractory
- **R:** Rituximab
- **RadOnc:** Radiation oncologist
- **R-Benda/R-B/RB:** Rituximab, bendamustine
- **R-Chemo:** Combination treatment consisting of rituximab plus one (i.e., bendamustine, fludarabine) or more (i.e., CHOP, CVP) chemotherapy agents
- **R-CHOP:** Rituximab, hydroxydaunorubicin (doxorubicin), oncovin (vincristine), prednisolone
- **R-CVP:** Rituximab, cyclophosphamide, vincristine, prednisone
- **RIT:** Radioimmunotherapy
- **SAB:** Scientific Advisory Board
- **SCT:** Stem Cell Transplant
- **SD:** Stable Disease
- **TPP:** Target Product Profile
- **US:** United States

Financial calendar

- Q1 2018 results: May 30th, 2018
- Annual general meeting: May 30th, 2018
- Q2 2018 results: August 22nd, 2018
- Q3 2018 results: November 21st, 2018

The dates are subject to change.
The time and location of the presentations will be announced in due course.

Investor contact

Contact person: Malene Brondberg, VP, Investor Relations and Corporate Communications
Phone: +44 7561 431762
E-mail: ir@nordicnanovector.com
Web: www.nordicnanovector.com/investors-and-media/events-and-media/ir-contact

Forward-looking statements

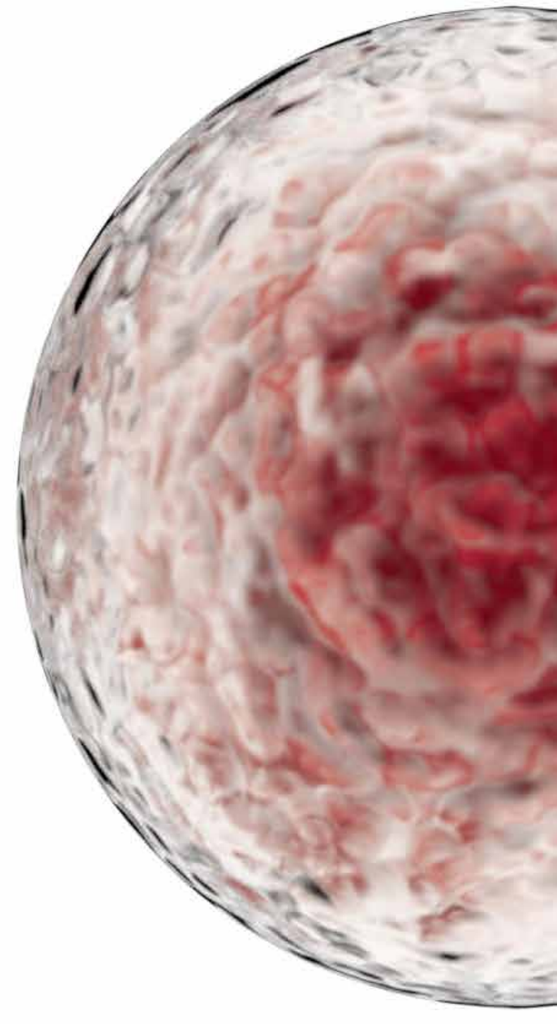
This report contains certain forward-looking statements and forecasts based on uncertainty, since they relate to events and depend on circumstances that will occur in the future and which, by their nature, will have an impact on Nordic Nanovector's business, financial condition and results of operations. The terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "should", "projects", "targets", "will", "would" or, in each case, their negative, or other variations or comparable terminology are used to identify forward-looking statement. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied in these forward-looking statements. Factors that could cause these differences include, but are not limited to, risks associated with implementation of Nordic Nanovector's strategy, risks and uncertainties associated with the development and/or approval of Nordic Nanovector's products candidates, ongoing and future clinical trials and expected trial results, the ability to commercialise Betalutin®, technology changes and new products in Nordic Nanovector's potential market and industry, Nordic Nanovector's freedom to operate (competitors patents) in respect of the products it develops, the ability to develop new products and enhance existing products, the impact of competition, changes in general economy and industry conditions, and legislative, regulatory and political factors. No assurance can be given that such expectations will prove to have been correct. Nordic Nanovector disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Contact information

Headoffice
Nordic Nanovector ASA
Kjelsåsveien 168 B
0884 Oslo
Norway
phone: +47 22 18 33 01
fax: +47 22 58 00 07
email: mail@nordicnanovector.com
web: www.nordicnanovector.com

Subsidiaries
Nordic Nanovector GmbH
Grafenauweg 10
6301 Zug
Switzerland
phone: +41 41 723 27 30
email: mail@nordicnanovector.com

Nordic Nanovector Limited
Paternoster House
65 St. Paul's Churchyard
London EC4M 8AB
United Kingdom
phone: +47 22 18 33 01
email: mail@nordicnanovector.com



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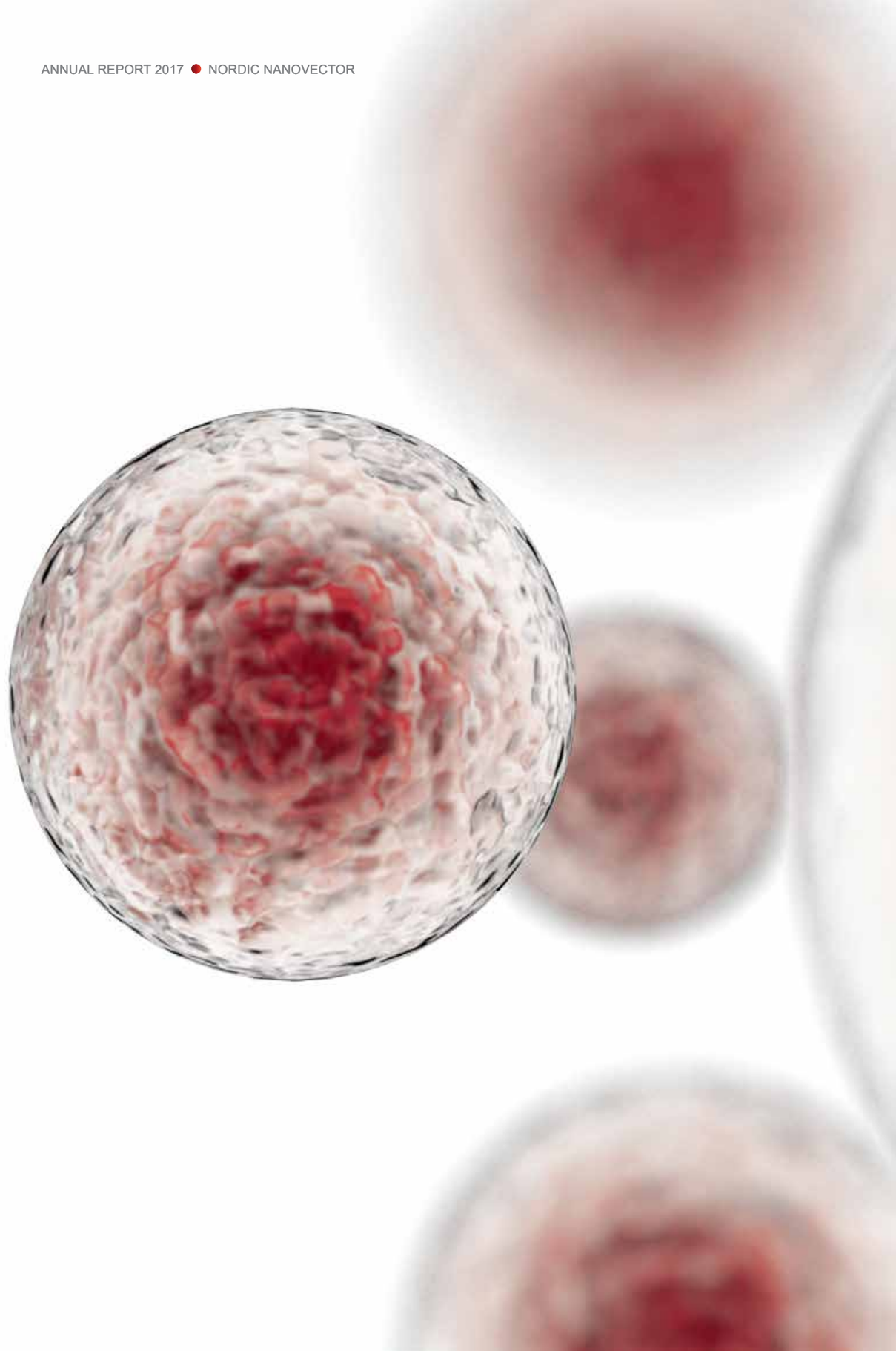

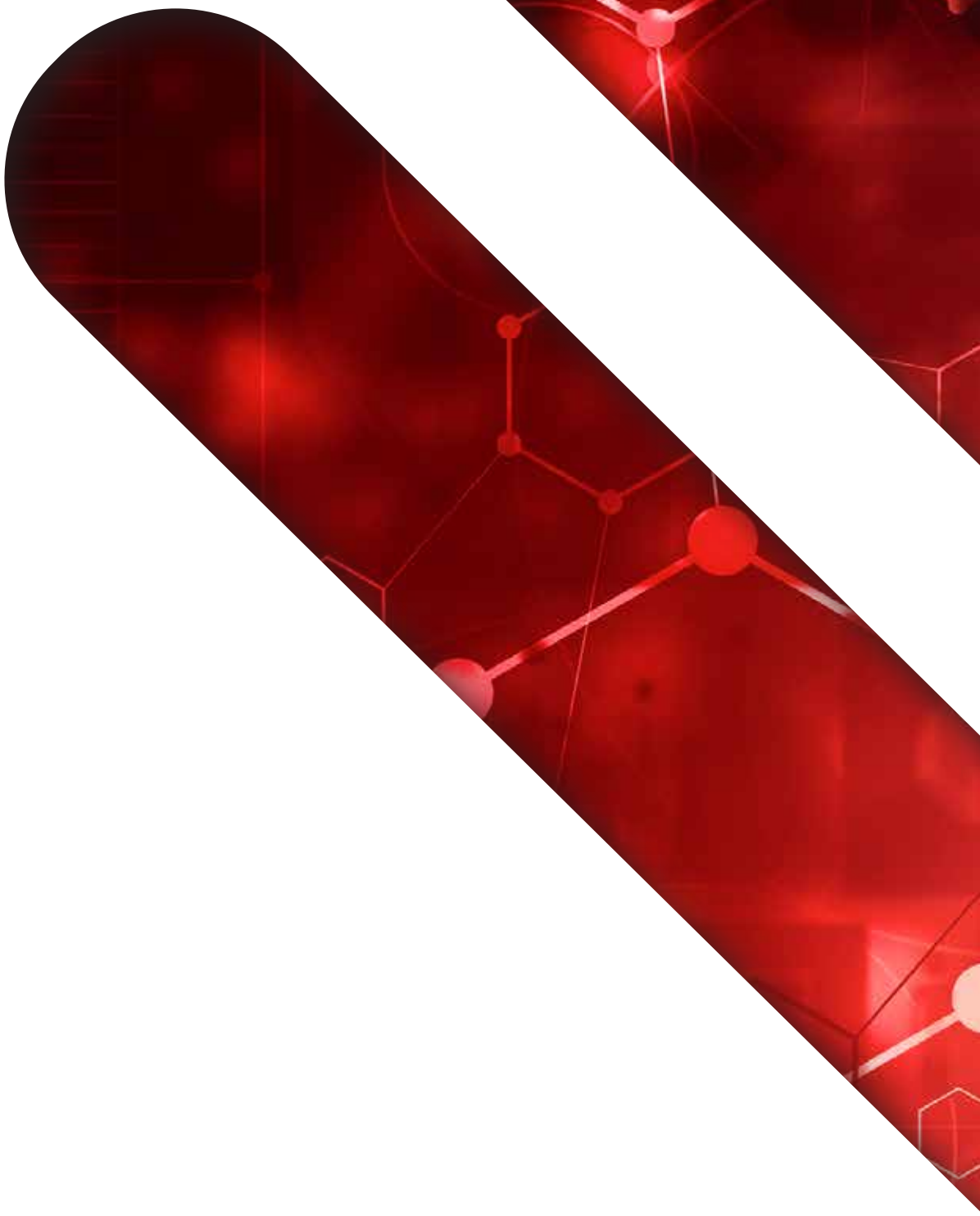

NORDIC NANOVECTOR

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
Web: www.nordicnanovector.com