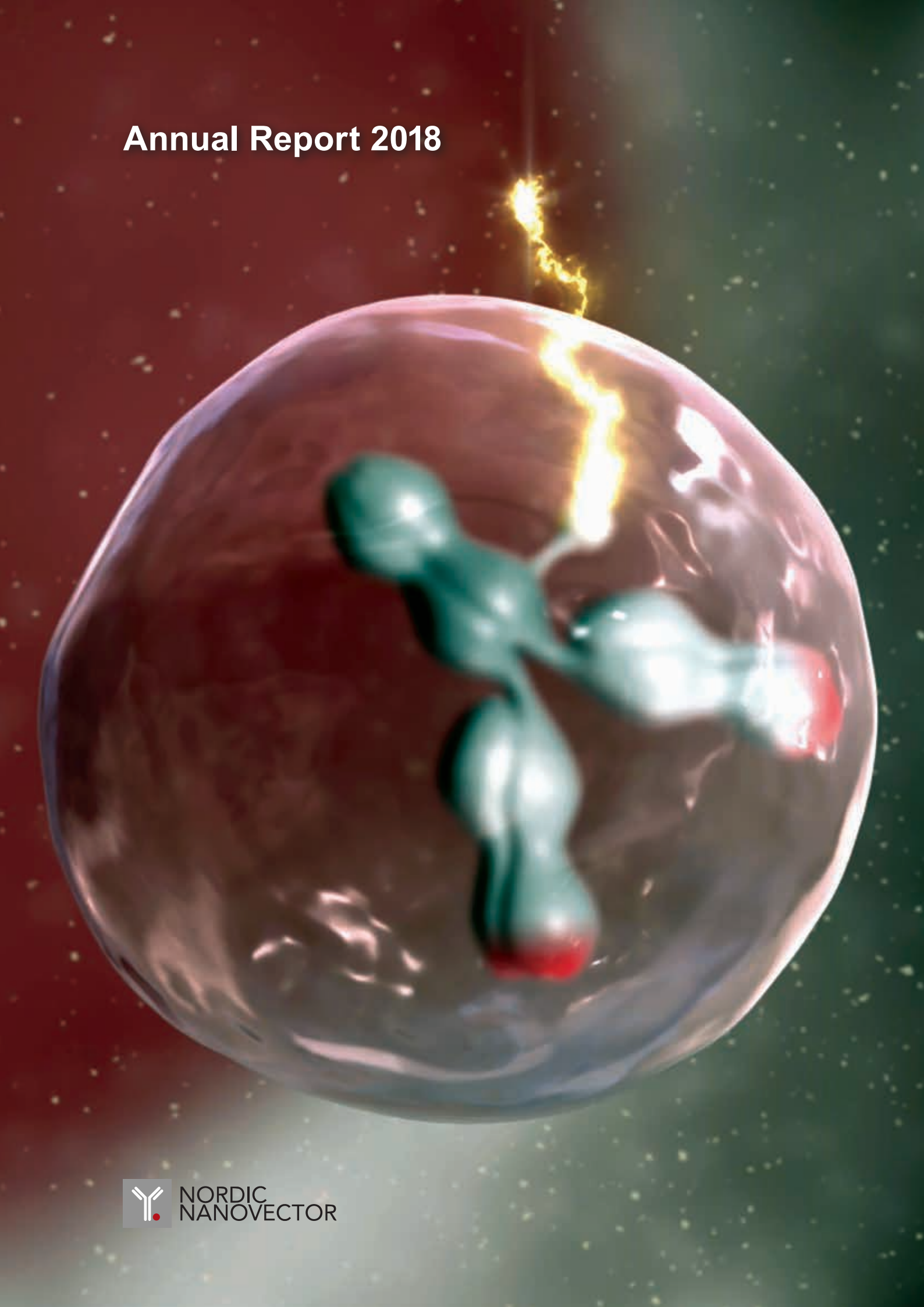
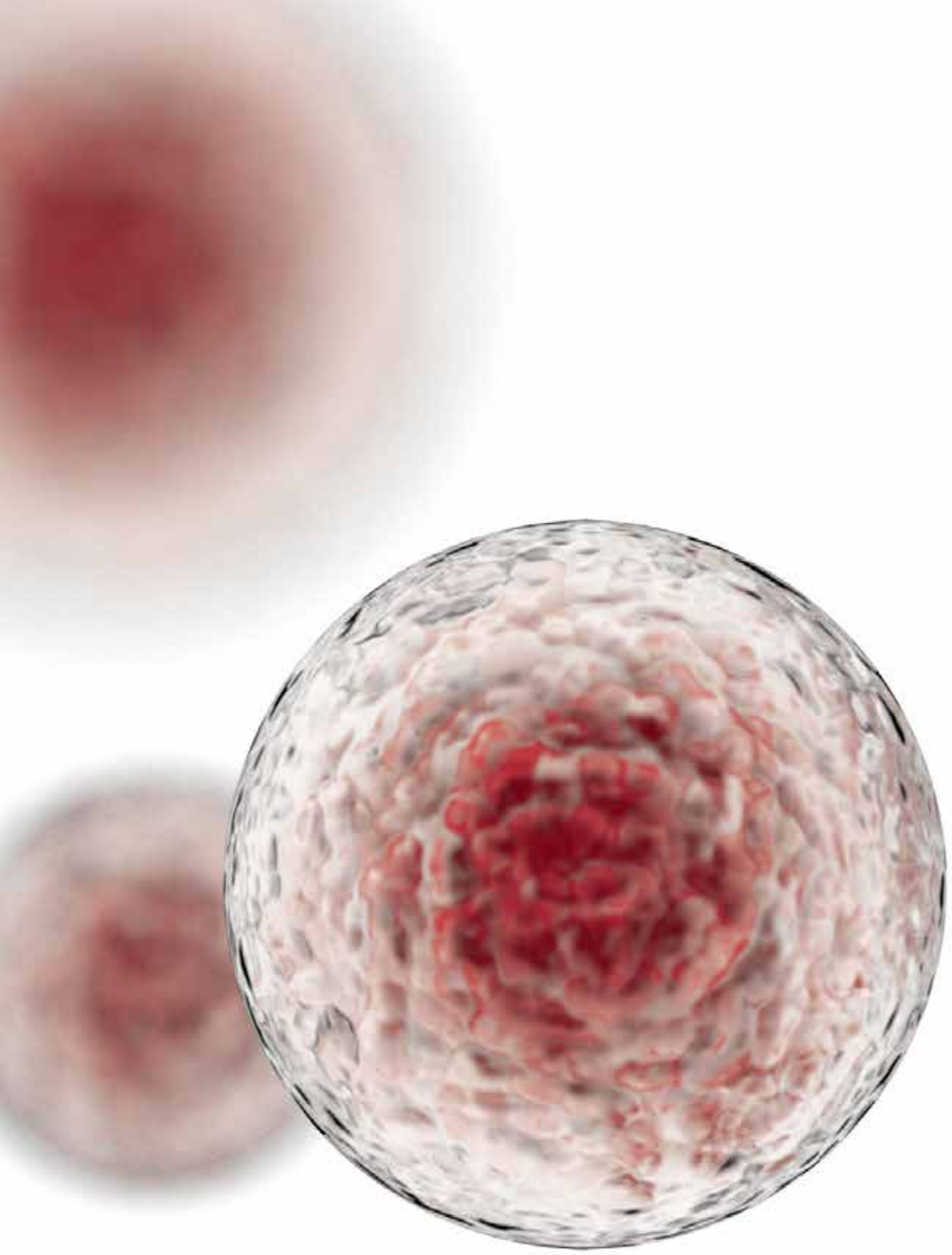
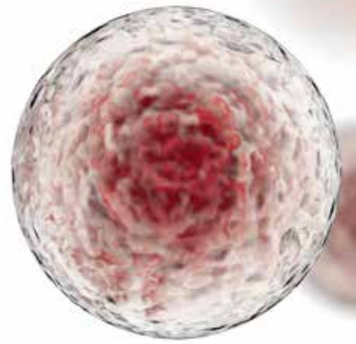
Annual Report 2018



NORDIC NANOVECTOR





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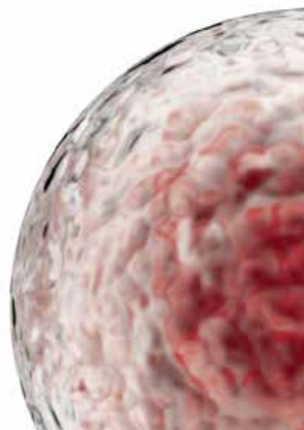


Our Vision: To significantly advance the treatment of cancer patients with innovative targeted therapies.

Our Mission: To extend and improve the lives of patients with heamatological cancers by developing and commercialising innovative radioimmunotherapies.

2018 Highlights

30 May – Rainer Boehm, MD elected to board of directors

Mr Boehm is an oncology expert with nearly 30 years' product development, commercial and corporate development experience working at Novartis, where since 2014 he has held the role of chief commercial & medical affairs officer of Novartis Pharma (Switzerland). He has also held various other senior roles regionally and globally within the oncology and pharmaceutical divisions, including executive vice president, North America of Novartis Oncology in the US from 2005-2010.

12 June – Betalutin® has been granted fast track designation in the US for follicular lymphoma

The US Food & Drug Administration (FDA) has granted fast track designation to Betalutin® (^{177}Lu-satetraxetan-lilotomab) for the treatment of patients with relapsed or refractory follicular lymphoma (FL) after at least two prior systemic therapies.

21 June – First patient dosed in pivotal PARADIGME trial of Betalutin® in 3rd line follicular lymphoma patients

The first patient has been dosed in pivotal PARADIGME Phase 2b trial with Betalutin® (^{177}Lu-satetraxetan-lilotomab) in 3rd line (3L) follicular lymphoma (FL) patients, who are refractory to anti-CD20 immunotherapy (including rituximab), a population with high unmet medical need. PARADIGME is a global randomised clinical trial comparing two Betalutin® dosing regimens in 3 FL.

- 15 MBq/kg Betalutin® following 40 mg lilotomab pre-dosing
- 20 MBq/kg Betalutin® following 100 mg/m^2 lilotomab pre-dosing in 3L FL patients

PARADIGME aims to enrol 130 patients across 80-85 sites in approximately 20 countries.

25 June – Eduardo Bravo appointed as chief executive officer

Mr Bravo brings more than 25 years' experience in the biopharmaceutical industry and a strong track record in leading and growing international biotech and pharmaceutical organisations. Since 2011, as CEO of TiGenix, a dual-listed (Euronext Brussels and NASDAQ) biopharmaceutical company developing novel stem cell therapies, he successfully developed the company through several financing rounds, led its IPO on NASDAQ, and secured European marketing approval of its lead asset.

25 October – Betalutin® receives promising innovative medicine (PIM) designation in the UK for the treatment of follicular lymphoma

Betalutin® (^{177}Lu-satetraxetan-lilotomab) has been granted a promising innovative medicine (PIM) designation by the UK's Medicines and Healthcare Products Regulatory Agency (MHRA) for the treatment of patients with advanced relapsed/refractory follicular lymphoma (R/R FL).

02 November – First patient dosed in Archer-1 trial of Betalutin® plus rituximab in follicular lymphoma

The first patient has been dosed in the Archer-1 trial investigating Betalutin® (^{177}Lu-satetraxetan-lilotomab) in combination with rituximab (RTX) in 2nd line follicular lymphoma (2L FL). Rituximab is a CD20-targeting monoclonal antibody that is administered to patients with newly-diagnosed or relapsed FL as a single agent or in combination with chemotherapy.

02 December – Single administration Betalutin® is effective and well-tolerated in R/R iNHL patients: 6 months follow-up data presented at ASH

Updated results from its LYMRIT 37-01 Phase 1/2 clinical study of Betalutin® (^{177}Lu-satetraxetan-lilotomab) in patients with relapsed/refractory indolent non-Hodgkin lymphoma (R/R iNHL) have been presented in a poster at the 60th American Society of Hematology (ASH) Annual Meeting & Exposition (1-4 December 2018 in San Diego, CA, US).

- Overall response rate (ORR) of 61 per cent and complete response (CR) rate of 28 per cent in 74 patients with indolent non-Hodgkin lymphoma (iNHL)
- Highly active in follicular lymphoma (FL) patients with ≥2 prior therapies (n=37) (ORR 70 per cent CR 32 per cent), and rituximab-refractory FL (n=21) (ORR 62 per cent CR 19 per cent)
- Durable responses, especially for patients with a CR (20.7 months)
- Promising response rates (ORR and CR) for dosing regimens being evaluated in pivotal Phase 2b PARADIGME study
- Well tolerated with predictable and manageable safety profile

History and important events

YEAR EVENTS

2009
- Nordic Nanovector AS was established in Oslo, Norway.

2010
- 1st patent application filing for Betalutin®.

2011
- 1st patent application approved in Norway.

2012
- Regulatory approval received to proceed with Phase 1/2 clinical trial in Norway and Sweden (LYMRIT 37-01).
- Ready-to-use Betalutin® formulation developed.
- First patient enrolled in Betalutin® clinical trial (LYMRIT 37-01).

2013
- Successful completion of a NOK 60 million private placement.
- HealthCap VI L.P. commits to invest NOK 50 million.

2014
- Betalutin® patent approved in the US and Europe.
- Betalutin® clinical trial advances to part 2 of Phase 1/2 clinical trial (LYMRIT 37-01).
- Granted orphan-drug designation in the US and in Europe for follicular lymphoma (FL).
- Successful completion of a NOK 250 million private placement and a NOK 50 million subsequent offering.
- Listing of the shares on the Norwegian OTC.
- Luigi Costa appointed as new CEO.

2015
- The company's shares were listed on Oslo Børs and MNOK 575 was raised in an initial public offering in connection with the listing of the company's shares.

2016
- The FDA grants IND and approves DLBCL dose-finding trial (LYMRIT 37-05).
- Collaboration agreements signed with Paul Scherrer Institute, Areva Med (Orano Med), LegoChem Bio and Heidelberg Pharma for development of new ARCs and new ADCs based on the novel NNV003 antibody for treatment of leukemia.
- Successful completion of a NOK 499 million private placement.

2017
- First patient dosed in Phase 1 trial of Betalutin® in diffuse large B-cell lymphoma (LYMRIT 37-05).

2018
- Betalutin® granted fast track designation in the US for relapsed/refractory follicular lymphoma (R/R FL).
- First patient dosed in pivotal Phase 2b PARADIGME trial of Betalutin® in 3rd line follicular lymphoma.
- Eduardo Bravo appointed as new CEO of the company.
- Betalutin® granted promising innovative medicine (PIM) designation in the UK for advanced relapsed/refractory follicular lymphoma (LYMRIT 37-07).
- First patient dosed in ARCHER-1 trial of Betalutin® plus rituximab in 2nd line follicular lymphoma (LYMRIT 37-07).

2019
- Private placement raising gross proceeds of NOK 222 million successfully completed.
- Jan H. Egberts, MD, was elected chair.

Investment highlights

Introducing next-generation radioimmunotherapies to address unmet needs in haematological cancers

Pipeline led by Betalutin® – a novel anti-CD37 immunotherapy designed for non-Hodgkin lymphoma (NHL)

Betalutin® is a wholly owned asset; clear plan to bring it to market independently in the US

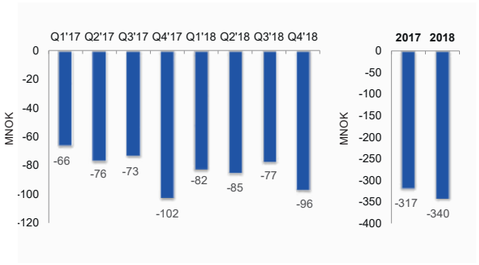
Targeted anti-CD37 immunotherapies provide multiple pipeline opportunities in B-cell malignancies

Experienced management team and board

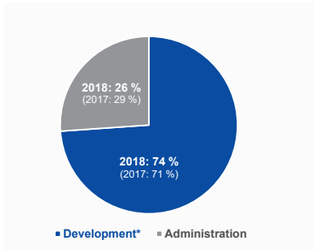
Cash resources through to key value inflection points

Key figures 2018

Operating results

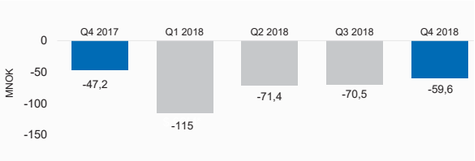


Distribution of total operating expenses

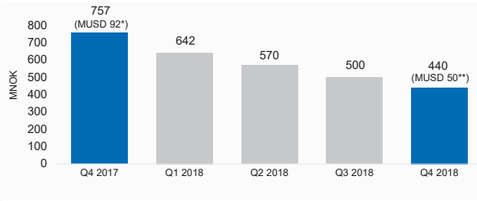


*Development costs: preclinical, clinical, medical affairs, regulatory affairs and CMC activities

Cash flow



Cash position



** USD/NOK 8.24 ** USD/NOK 8.76

The share

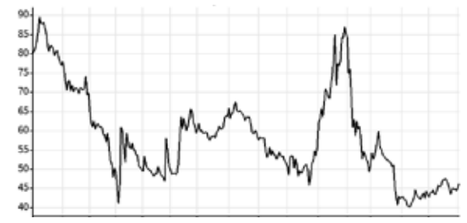
Oversubscribed private placement

Approximately NOK 222 million (USD 26 million) raised in gross proceeds through a private placement in January 2019 of 4 943 094 new shares at NOK 45 per share.

The private placement was oversubscribed and attracted strong interest from existing shareholders and new institutional investors in Norway and internationally.

Share price development

01.01.2018 - 02.04.2019



Share information

Market Cap[1] - at share price NOK 46.30

2 532 / 294

NOK million USD million

Daily turnover

376 084 / 86%

No of shares 6 months turnover in % of total shares

Research analyst coverage

ABG Sundal Collier
DNB Bank ASA
Jefferies International Ltd

[1] April 2nd, 2019

Top 10 shareholders

Shareholders	No of shares	%
1. HealthCap VI L.P.	5 710 833	10,44%
2. Folketrygdfondet	3 449 938	6,31%
3. OM Holding AS	2 519 797	4,61%
4. Nordnet Livsforsikring AS	1 495 012	2,73%
5. State Street Bank and Trust Company	918 864	1,68%
6. Linux Solutions Norge AS	845 071	1,55%
7. Sciencons AS	725 000	1,33%
8. Must Invest AS	700 000	1,28%
9. VPF Nordea Kapital	695 807	1,27%
10. Radiumhospitalets Forskningsstiftelse	689 518	1,26%
Total 10 largest shareholders	17 749 840	32,46%
Others	36 937 763	67,54%
Total number of shares	54 687 603	100,00%

As per April 2nd, 2019

Overview of the business

Nordic Nanovector was established in Oslo, Norway in 2009 by Dr Roy H. Larsen and Inven2 AS. The company was founded with the aim to develop Betalutin® for the treatment of lymphoma. Betalutin® was invented by the three founders Dr Roy H. Larsen, Professor Øyvind S. Bruland and Dr Jostein Dahle, and was developed at the Norwegian Radium Hospital.

Dr Larsen and Professor Bruland were also founders of Algeta ASA, which successfully developed and launched Xofigo® (radium-223 dichloride) with partner Bayer AG for the treatment of adults with castration-resistant prostate cancer and symptomatic bone metastases. Algeta was acquired by the global pharmaceutical company Bayer in 2014.

Nordic Nanovector was listed on the Oslo Stock Exchange in 2015. The company has its headquarters and laboratories in Oslo, Norway and subsidiaries in Zug, Switzerland, and London, UK, and a branch in Frederikshavn, Denmark.

Nordic Nanovector is committed to develop and deliver innovative therapies to patients to address major unmet medical needs and advance cancer care. The company aspires to become a leader in the development of targeted therapies for haematological cancers. Nordic Nanovector's lead clinical-stage candidate is Betalutin®, a novel CD37-targeting radio-immunoconjugate designed to advance the treatment of non-Hodgkin lymphoma (NHL). Betalutin® uses monoclonal antibodies to attack the cancer cells in two ways, first as an immunotherapy and secondly as a targeting agent for a radioactive payload and is a combination of radiation therapy and immunotherapy. 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 is an indication with substantial unmet medical need, representing a growing market forecast to be worth nearly USD 29 billion in 2026.

Since its establishment, Nordic Nanovector has advanced the use of Betalutin® into different clinical trials for treating the main types of refractory/relapsed NHL. Nordic Nanovector has completed enrolment in the LYMRIT 37-01 Phase 1 and Phase 2a clinical trial. LYMRIT 37-01 is an open label, dose escalation study investigating the optimal treatment regimen for a single dose Betalutin® with lilotomab pre-dosing in patients with indolent (slow growing) NHL (iNHL).

The results from the LYMRIT 37-01 Phase 1 and Phase 2a study show that a single administration of Betalutin® is well tolerated and demonstrate encouraging anti-tumour activity in recurrent iNHL, especially in follicular lymphoma (FL) patients, the primary NHL population for which Betalutin® is being developed. Follicular lymphoma (FL) is the most common indolent (slow-growing) form of NHL and incurable. Combined with the convenience of a once-only administration, Betalutin® shows promise as a potential new therapy for R/R iNHL.

The results from the first part (Part A) of the LYMRIT 37-01 Phase 1/2a clinical trial lead the company to start a global, randomised Phase 2b trial, PARADIGME, in 3rd line (3L) FL patients who are refractory to anti-CD20 immunotherapy (including rituximab, RTX). This clinical trial is currently on-going. PARADIGME will compare the two most promising Betalutin® dosing regimens identified in the first part of the LYMRIT 37-01 clinical trial as a new treatment option for follicular lymphoma patients, who have received two or more prior therapies and have become resistant to anti-CD20 agents or anti-CD20-containing regimes (including rituximab, RTX) (3L R/R FL patients). The trial is aiming to enrol 130 patients at 80-85 sites in 20 countries. As of February 26th, 2019, PARADIGME is open for patient enrolment at 69 clinical sites in 23 countries, including the US. The first patient was dosed in June 2018.

The data from this trial, if successful, are expected to support market authorisation applications for Betalutin® in this indication (3L R/R FL patients).

In June 2018, the US Food and Drug Administration (FDA) granted fast track designation (Fast Track) to Betalutin® for the treatment of patients with relapsed or refractory FL after at least two prior systemic therapies. Fast track is a process designed to facilitate the development and expedite the review of drugs to treat serious diseases and fill an unmet medical need. In October 2018, Betalutin® was granted a promising innovative medicine (PIM) designation by the UK's Medicines and Healthcare Products Regulatory Agency (MHRA) for the treatment of patients with advanced relapsed/refractory follicular lymphoma (R/R FL). The purpose of both designations is to get important new drugs to the patient earlier.

Nordic Nanovector is also in the process of enrolling patients in its Archer-1 (LYMRIT 37-07) Phase 1b clinical trial that was approved to start in June 2018 and the first patient was dosed in November 2018. Archer-1 is a Phase 1b open-label, single-arm, multi-centre dose-escalation trial to assess the safety and preliminary activity of combining Betalutin® with rituximab in 20-25 patients with relapsed/refractory follicular lymphoma who have received one or more prior therapies (2L R/R FL).

In addition, Nordic Nanovector is in the process of enrolling patients in its LYMRIT 37-05 Phase 1 clinical trial to investigate Betalutin® in relapsed diffuse large B-cell lymphoma (DLBCL) patients ineligible for stem cell transplantation. The Phase 1 study is an open-label, single-arm, dose-escalation study designed to assess 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 Europe. The first patient was enrolled in March 2017 and the study is actively enrolling patients in the US and Europe. DLBCL is an aggressive non-curable form of NHL and prevalence at 10 years is roughly 43 per cent of all diagnoses, making it the most common type of NHL.

After 1st line combination treatment with rituximab-chemotherapy approximately 40 percent of DLBCL patients relapse and only 30-40 percent of relapsed patients respond with subsequent high-dose chemotherapy followed by stem cell transplant (SCT) treatment. There are currently very few therapeutic options for patients not eligible for SCT, which makes this disease a serious unmet medical need.

Research and development strategy is designed in-house, while its execution is carried out in collaboration with contract research organisations (CROs) and academic institutions.

Similarly, the company uses external contract manufacturing organisations (CMOs) to manufacture Betalutin®.

Nordic Nanovector is also leveraging its expertise in radionuclides and CD37-targeting antibodies, along with partners, to build a pipeline of innovative biopharmaceuticals for a range of haematological cancers. The company intends to retain marketing rights and to actively participate in the commercialisation of Betalutin® in core markets.

The technology

Betalutin® is a next generation radioimmunotherapy that targets the CD37 antigen and is in development for the treatment of non-Hodgkin lymphoma (NHL). Betalutin® is a radioimmunoconjugate that consists of an antibody linked to a radioisotope. Betalutin® consist of the murine (mouse) antibody lilotomab, which targets the CD37 antigen on the surface of NHL cells, conjugated to the beta-emitting radioisotope lutetium-177 (^{177}Lu) via the chemical linker p-SCN-Bn-DOTA.

Treatment with antibody radionuclide conjugates (ARCs) is referred to as radioimmunotherapy (RIT). RIT is a targeted form of cancer treatment that uses monoclonal antibodies to attack the cancer cells in two ways, first as an immunotherapy and secondly as a targeting agent for a radioactive payload. RIT is a combination of radiation therapy and immunotherapy.

In immunotherapy, a laboratory-produced molecule called a monoclonal antibody is engineered to recognise and bind to the surface of cancer cells. Monoclonal antibodies mimic the antibodies naturally produced by the body's immune system that attack invading foreign substances, such as bacteria and viruses.

The short-range beta-radiation can cause cell death in both the cells to which Betalutin® molecules bind and the surrounding cells with a mean penetration depth of approximately 0.23 millimetres (i.e. a localised tumour cell kill (40-cell radius) from irreparable double strand DNA). 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 in a ready-to-use formulation. Clinical trials 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.

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

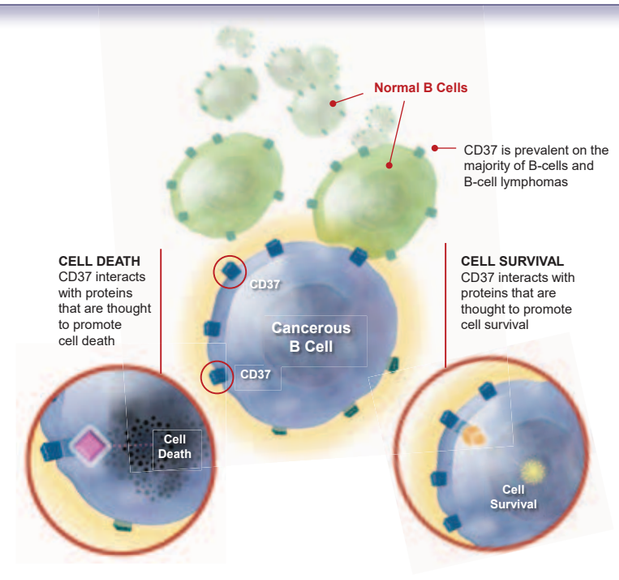
CD37: A therapeutic target

What is CD37?

- CD37 is a protein found on the surface of immune cells and interacts with other proteins inside the cell.
- Although the exact physiological role is unclear, CD37 is thought to play a role in both cell survival and cell death; which protein CD37 interacts with impacts function.

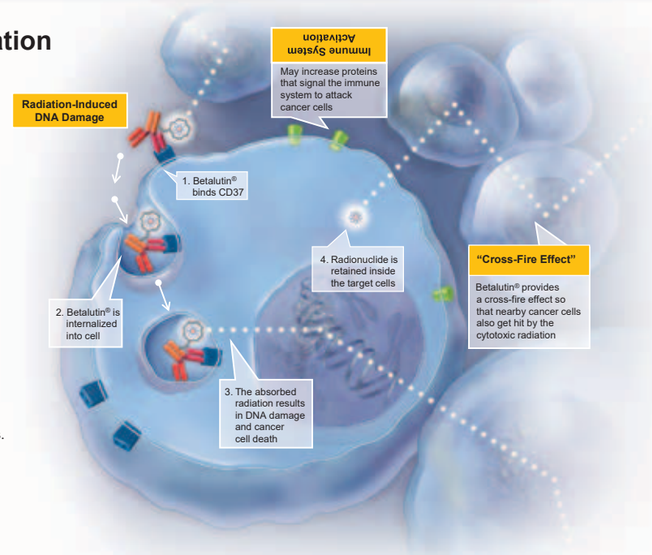
Why target CD37?

- CD37 is highly expressed on the majority of B-cells and B-cell lymphomas.
- CD37 is absent on normal stem cells and is lost again following differentiation into plasma cells.
- Because of its high prevalence on the surface of B-cell lymphomas, CD37 is a target for several different agents in clinical development.
- Since most patients will eventually become refractory to anti-CD20-based therapies, targeting alternative pathways, such as CD37, may represent a promising therapeutic approach.



Betalutin® is a next-generation radioimmunotherapy

- **Betalutin® is an agent with a radioactive component** fused to a molecule that binds to CD37.
- **When CD37 and Betalutin® form a complex**, that complex is internalized and retained inside the cell, allowing for prolonged irradiation of the cancer cell.
- **The radiation from Betalutin®** also hits nearby cancer cells, leading to cell death.
- **Additionally, Betalutin ® and the targeted radiation** induced cell death it causes may trigger the immune system to attack cancer cells.



Therapeutic areas

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

NON-HODGKIN LYMPHOMA

Currently, more than 200 different types of cancer exist, which can develop in 60 different organs in the body. Some cancer types are known for taking thousands of lives every year, among these are: breast, lung, prostate, bowel, malignant melanoma and non-Hodgkin lymphoma (NHL), a haematological cancer. NHL can be further divided in two groups; B-cell lymphomas (including, amongst other subtypes, diffuse large B-cell lymphoma, follicular lymphoma, chronic lymphocytic leukemia/small lymphocytic lymphoma, mantle cell lymphoma and marginal zone lymphoma) and T-cell lymphomas (precursor T-lymphoblastic lymphoma/leukemia and peripheral T-cell lymphomas).

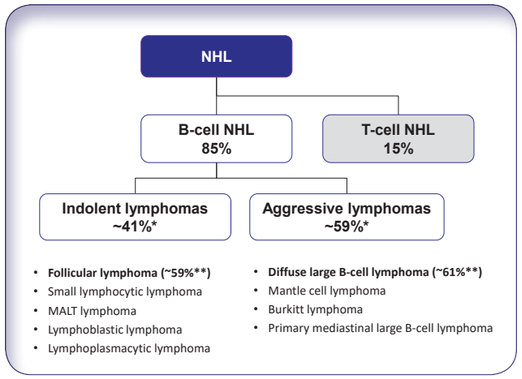
NHL is a relatively common type of cancer that develops in either B lymphocytes or T lymphocytes, often referred to as B cells and T cells. B cells and T cells are white blood cells. B cells make up 85 per cent of the total lymphocytes, while T cells make up 15 per cent.

The lymphatic system, which plays a vital part in the immune system, is found throughout the body. Hence, NHL can start in any part of the body. This type of cancer can develop in a single lymph node, a group of lymph nodes or in an organ. Once a white blood cell has become a cancer cell, it can easily spread to vital organs including liver, bone marrow and spleen. The International Agency for Research on Cancer (IARC) estimates that in 2018, 509 600 new cases of NHL cancer will be diagnosed[1)].

The total number of incident cases of NHL is estimated to increase by 34 per cent over the 2016-2026 forecast period, from 140 700 to 168 000 cases. The US has the highest incidence of NHL: 24 per 100 000 per year[2)].

The drug-treatment rates in the 1st, 2nd and 3rd line settings (for all NHL subpopulations) is not expected to increase considerably during the 2016-2026 forecast period[3)].

NHL can be divided into several subtypes



*) *Leukemia & Lymphoma Society, http://www.lls.org/lymphoma/non-hodgkin-lymphoma/diagnosis/nhl-subtypes (MALT lymphoma is now classified as a subtype of marginal zone lymphoma)*

**) *http://www.bloodjournal.org/content/122/21/5619*

1) *https://gco.iarc.fr/today/online-analysis-table?v=2018&mode=cancer&mode_population=continents&population=900&populations=900&key=asr&sex=0&cancer=39&type=0&statistic=5&prevalence=0&population_group=0&ages_group%5B%5D=0&ages_group%5B%5D=17&nb_items=5&group_cancer=1&include_nmsc=1&include_nmsc_other=1.*
2) *Non-Hodgkin's Lymphoma and Chronic Lymphocytic Leukemia, Disease Landscape Forecast, Decision Resources, LLC 2017. All rights reserved. Reproduction, distribution, transmission or publication is prohibited. Reprinted with permission.*
3) *Non-Hodgkin's Lymphoma and Chronic Lymphocytic Leukemia, Disease Landscape Forecast, Decision Resources 2017.*

FOLLICULAR LYMPHOMA

Follicular lymphoma (FL), a B-cell lymphoma, is the most common indolent (slow-growing) form of NHL. Common signs of disease include enlargement of the lymph nodes in the neck, underarm, stomach, or groin, as well as fatigue, shortness of breath, night sweats, and weight loss. Often, people with FL have no obvious symptoms of the disease at diagnosis. Over time, some patients with FL may eventually develop a transformed lymphoma, which is often more aggressive and usually requires more intensive types of treatment.

The number of diagnosed incident cases of FL in the US and Europe (key 5 markets) in 2015 was 13 980 and 10 800, respectively[1)]. These numbers are expected to reach 16 620 and 11 860 in the US and Europe (key 5 markets), respectively, by 2024, indicating a CAGR of approx. 1 per cent.

Prevalence is a function of incident cases and survival data. Prevalent patients are all the patients that are alive and have the disease. For FL, prevalence at 10 years is roughly 25 per cent of all diagnoses. However, due to the nature of the disease, FL patients go through periods of remission (during which they do not require active treatment) and relapses (episodes of disease progression during which they require therapies). Only the prevalent patients in need for treatment are the ones eligible for marketed and novel therapies in development, such as Betalutin®.

Depending on the disease progression from first diagnosis to late stage R/R NHL, the patient is treated with different lines of therapy. The line of therapy is the sequence of treatments in a progressing oncology disease. 1st line is the first medical treatment after a decision has been taken that the patient requires therapy. 2nd line is when the patient relapses after the 1st line treatment (symptoms reappear) and receives a new therapy. 3rd line is when the patient relapses again after the 2nd line treatment. Betalutin® will first address patients that have relapsed after at least 2 prior lines of therapy (3rd line) and will subsequently target 2nd line R/R patients. Decision Resources (2015) estimates approx. 5 800 prevalent 3rd line FL drug-treatable patients in the US, expected to grow to approx. 7 000 by 2024, and approx. 4 500 prevalent 3rd line FL drug-treatable patients in the key 5 European markets, expected to grow to approx. 5 000 by 2024.

The median overall survival (MOS) for FL patients is usually 8-10 years, however, the disease course often varies by patient. FL is incurable and patients eventually relapse. Approximately 1-3 per cent of patients with FL will eventually develop a transformed lymphoma, which is often more aggressive.

1) *DR/Decision Resources, LLC.*
2) *http://www.lymphoma.org/site pp.asp?c=bkLTKaOQLmK8E&b=6300153 (Accessed November 30th, 2016).*
3) *NHL, Landscape Forecast, Decision Resources, 2017.*
4) *Decision Resources, Non-Hodgkin's Lymphoma, 2015.*

DIFFUSE LARGE B-CELL LYMPHOMA (DLBCL)

DLBCL is a sub group of B-cell lymphoma within NHL. Accounting for approximately one-third of newly diagnosed cases of NHL, DLBCL is the most common type of NHL cancer. DLBCL occurs in both men and women, although it is slightly more common in men. Although DLBCL can occur in childhood, its incidence generally increases with age, and roughly half of patients are over the age of 60. DLBCL is an *aggressive* lymphoma that can arise in lymph nodes or outside of the lymphatic system, in the gastrointestinal tract, testes, thyroid, skin, breast, bone, or brain. Often, the first sign of DLBCL is a painless, rapid swelling in the neck, underarms, or groin that is caused by enlarged lymph nodes. For some patients, the swelling may be painful. Other symptoms may include night sweats, fever, and unexplained weight loss. Patients may notice fatigue, loss of appetite, shortness of breath, or pain[2)].

The NHL market is expected to experience significant growth over the 2016-2026 forecast period, despite a decline in sales resulting from biosimilar or generic erosion of rituximab, lenalidomide and bendamustine. A robust late-phase pipeline is expected to result in the launches of several new therapies (including duvelisib, umbralisib, ublituzimab, polatuzumab vedotin, tazemetostat), but the majority of growth will be attributed to increased penetration and multiple label expansions of currently available premium-priced agents ibrutinib, venetoclax, obinutuzumab and CAR-T cell therapies.

The market potential (i.e., overall value of medical treatments for NHL patients) is estimated to grow from USD 9 billion in 2016 to approx. USD 29 billion in 2026, with a CAGR of 12.4 per cent. The number of diagnosed incident cases of DLBCL in the US and Europe in 2016 was 26 500 and 17 200, respectively. These numbers are expected to reach 31 500 and 19 000 by 2024 in the US and Europe, respectively[3)].

As for FL, prevalence is a function of incident cases and survival data. Patients who are not cured by 1st line therapy will require a subsequent line of therapy; usually salvage chemotherapy followed by stem cell transplantation. For DLBCL, prevalence at 10 years is roughly 43 per cent of all diagnoses. These prevalent DLBCL patients in need for therapy are the patients eligible for marketed and novel therapies in development, such as Betalutin®. Betalutin® will first address patients that have progressed after 1st line therapy (the standard of care is the combination of rituximab with CHOP (R-CHOP) and are ineligible for stem cell transplantation (SCT). Decision Resources (2015) estimates approx. 9 500 prevalent 2nd line DLBCL and 5 600 3rd line DLBCL drug-treatable patients in the US, and approx. 8 200 2nd line DLBCL and 4 000 3rd line DLBCL drug-treatable patients in Europe[4)].

Insights from the CEO

Dear fellow shareholders,

I am pleased to write my first letter to shareholders since I joined the company in July. I am also pleased to report the continuing progress we made to advance the clinical development programme for Betalutin®, our lead product, during 2018, a year in which we achieved several important milestones. Based on this progress, we have also strengthened our organisation as we think ahead and prepare for commercial launch, pending a successful outcome of the PARADIGME trial and subsequent regulatory reviews.

Nordic Nanovector is dedicated to extending and improving the lives of patients with haematological cancers. The company's lead clinical-stage product is Betalutin®, a next generation radioimmunoconjugate, designed to improve upon and complement current options for the treatment of non-Hodgkin lymphoma (NHL).

We believe that Betalutin® has exciting potential to become a new, one-time treatment for NHL owing to further clinical and commercial insights gained throughout the year. As an organisation, we are laser-focused on completing the Phase 2b PARADIGME trial and delivering an initial data read-out in the first half 2020. If positive, we will do our best to file an application for marketing approval at the very end of 2020.

Our confidence in Betalutin® is high and grows stronger as the clinical data continue to mature. In December, we reported the first data from all 74 patients enrolled in the Phase 1/2a LYMRIT 37-01 clinical study at the American Society of Hematology (ASH) annual meeting. ASH is the most important clinical congress held each year focused on haematological diseases.

The results presented reinforce the promising efficacy and safety profile of Betalutin® we have seen previously. These data were particularly strong in patients with advanced-stage follicular lymphoma (FL) who are increasingly difficult-to-treat and have few remaining treatment options. The results also highlight an encouraging and still maturing duration of response from a single treatment with this candidate. In addition, the results show the promise of two dosing regimens and confirm the decision we made to design our pivotal trial to compare both of these regimens in PARADIGME. We intend to base our regulatory filings on the best regimen that emerges from this trial.

During 2018, our clinical team has been working diligently to activate sites and recruit patients into PARADIGME. The first patient was dosed in June 2018, and 26th of February 2019 we had 69 (of 80-85) sites active in all 23 countries where we are running the trial, including the US. Patient recruitment at these sites is now the most important activity underway.

We were delighted that Betalutin® was granted fast track designation at the FDA and PIM designation in the UK during 2018. Both of these designations were granted based on the clinical results produced to date and on the potential of Betalutin® to address a clear patient need in FL. The designations offer the possibility to support a quicker and smoother regulatory process and path to market if PARADIGME is successful.

Our broader strategy is to investigate Betalutin® as part of other dosing regimens for earlier use in FL and in other types of NHL, that will enable access to a larger NHL patient population. We were therefore pleased to initiate the Archer-1 trial in 2018, with the first patient being dosed in October. This study is investigating the novel combination of Betalutin® with rituximab in 2nd line FL. Our decision to advance this programme into clinical development is based on exciting preclinical data showing a synergistic effect between Betalutin® and rituximab, the gold standard treatment for NHL.

Meanwhile, we are progressing our Phase 1 study of Betalutin® in diffuse large B-cell lymphoma (DLBCL), the most common type of NHL.

In 2019, our main priority is the recruitment of patients into PARADIGME and the advancement of ongoing clinical trials. All our resources are focused on these objectives, with new funds raised in Q1 2019 allocated to supporting manufacturing and other activities in preparation for the commercialisation of Betalutin®.

As a consequence of this strategic focus we decided to postpone the start of our first planned clinical trial with Humalutin®, a humanised anti-CD37-targeting ARC. The development of Humalutin® and other preclinical projects in our pipeline form part of our longer-term strategy and are expected to be advanced when further funds are available.

2018 was a very busy year for Nordic Nanovector. I would like to thank our highly skilled team, which has demonstrated a passion for high-quality work and a strong dedication to do what it takes to reach our goals. The enthusiasm and commitment in the team reflect our values: we put patients first, we act with integrity and we strive to deliver on promises to our stakeholders. Our common aspiration is for Nordic Nanovector to become a leader in the field of targeted therapies for haematological cancers.

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

Eduardo Bravo
Chief Executive Officer

Oslo, March 29th, 2019

Governance

Compensation report and guidelines

This compensation report summarises 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 (statement) that is included on page 80. This statement will be subject to a vote at the company's annual general meeting in 2019 (2019 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
- 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 3 times from the annual general meeting in 2018 (2018 AGM) until 3rd of April 2019. 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 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 2018 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 2018 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. The 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 competes 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 2018, 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 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. 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, UK	Innate Pharma, France
Adaptimmune Therapeutics, UK	Merus, Netherlands
Bavarian Nordic, Denmark	Molecular Partner, Switzerland
BerGenBio, Norway	Oasmia Pharmaceutical, Sweden
Cellectis, France	Oncopeptides, Sweden
Celyad, Belgium	Silence Therapeutics, UK
Circassia Pharmaceuticals, UK	Targovax, Norway
Erytech Pharma, France	Verona Pharma, UK
Hansa Medical, Sweden	Zealand Pharma, Denmark

Some of the characteristics of the group of peer companies can be summarised:

Comparative factor	Minimum	Maximum	Median
Number of employees	15	420	76
Market capitalisation (MUSD)	51	1 248	326

Source: Deloitte

COMPENSATION POLICY FOR EACH ELEMENT

Based on the compensation policy described earlier, Nordic Nanovector's performance-based compensation programme primarily consists of three components:

- base salary
- short term cash bonus
- 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 2018 AGM until the 2019 AGM and the board of directors proposes a continuation of this policy for the period from the 2019 AGM to the annual general meeting in 2020 (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 to 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 2018, 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 2018, the annual cash bonus and the long term incentive plan were based upon the following key priorities:

Comparative factor	Objectives
Execution of Betalutin® development plan	• Advancement of the PARADIGME trial • Advancement of DLBCL Phase 1 and rituximab combo trial (Archer-1) • Obtain regulatory designations • 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 annual bonus percentages:

2019 annual bonus percentages	Target (% of base salary)	Maximum (% of base salary)
Chief Executive Officer	45%	67.5%
All other executives	30%	45%

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. Percentages shown below could be earned for achieving the target and stretch objectives. This policy will continue to apply for 2019.

Bonus payments 2018:

	% of base salary
Chief Executive Officer	45%
All other executives (average)	24%

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 78.1 per cent of the target for 2018.

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 provide 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 (EIP) was firstly approved at the extraordinary general meeting on December 20th, 2017 (2017 EGM). The company's annual general meeting on May 30th, 2018 (2018 AGM) approved a continuation of the EIP. The board of directors proposes a continuation of the EIP with some amendments as further described in this report.

Eligibility

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 replaces the company's option programme, which was approved by the company's annual general meetings in 2014, 2015 and 2016 (the option programme).

No further options will be granted under the option programme. The options already issued remain valid with existing terms, and will not be affected by the EIP. For further information about the option programme, see note 6.3.3 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 predefined 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 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 programme 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 programme unless it contains a double trigger clause.

The board of directors is proposing that the 2019 AGM approves a continuation of the EIP with the following amendment to the general terms of the EIP with effect for PSUs granted following the 2019 AGM:

In the event that the PSU holder is dismissed or a severance agreement is entered into more than 12 months after the date of grant of the PSUs, due to circumstances related to the company, and there being at that time no circumstances related to the PSU holder that might give reason for justifiable dismissal or lawful summary dismissal, the PSU holder shall have the right to retain a portion of any unvested PSUs allocated under the PSU agreements. The PSU holder shall have a right to retain a number of the unvested PSUs that shall correspond to 1/3 of the PSUs granted under the PSU agreement plus an additional 1/24 of the remaining PSUs each month thereafter until the date of receipt of the notice of dismissal or the date the severance agreement is signed, with the first 1/24 earned 13 months after the grant date. Under the current terms of the EIP all unvested PSUs will laps unless the board of directors decide otherwise.

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 that was employed prior to January 1st, 2018 is expected to satisfy his or her applicable level of share ownership within five years calculated from January 1st, 2018, and within five years calculated from the date of employment for other members of the management team.

Current authorisation
The 2018 AGM approved a continuation of the EIP and authorised the board of directors to grant up to 600 000 PSUs during the period from the 2018 AGM to the 2019 AGM. Pursuant to the authorisation granted at the 2017 and 2018 AGMs the board of directors has granted 720 250 PSUs which are secured by a corresponding number of free-standing warrants as further described in note 6.3.1 to the annual accounts of Nordic Nanovector ASA. The total number of outstanding options and PSUs are now 2 439 908 and 720 250 (out of 1 100 000) respectively. Subject to all vesting conditions being fulfilled exercise of the options and PSUs would create a 5.4 per cent dilution of the outstanding shares on a fully diluted basis.

New authorisation for the period
Nordic Nanovector is in a critical phase of the development of Betalutin®. The company expects to, given a positive read-out of clinical data, start preparing the filing for market approvals in various markets. In parallel, the company needs to start preparations for a commercial launch for Betalutin®. This will involve, among many things, growing the current organisation by intiating the recruitment of a full commercial organisation. When recruiting experienced commercial managers and other key employees in the USA and in Europe it will be important for Nordic Nanovector to be able to offer attractive compensation terms. A competitive equity based incentive program will be a key component in order to be able to attract and retain highly skilled and experienced individuals as Nordic Nanovector prepares for the commercial launch.

As set out in the statement the board of directors proposes that the shareholders at the 2019 AGM authorise the board of directors to grant up to 800 000 PSUs under the EIP (on the amended terms) during the period from the 2019 AGM until the annual general meeting in 2020 (period). 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 1.4 per cent 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 2019 AGM.

The board of directors further proposes that the shareholders at the 2019 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 in the UK 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.

Nordic Nanovector DK in Denmark contributes with up to 8 per cent of the annual salary to the pension insurance scheme.

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, the CEO is entitled to 6 months' pay. In the event of termination of the employment agreement, for reasons directly related to a change of control; and no later than 12 months subsequent to the change of control, the CEO is entitled to a total of 12 months' salary. 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 6 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 management

Eduardo Bravo
Chief Executive Officer (CEO)

Mr Bravo (54) has more than 25 years of experience in the biopharmaceutical industry and a strong track record in leading and growing international biotech and pharmaceutical organisations. From 2011-2018, Mr Bravo was CEO of TiGenix, a dual-listed (Euronext Brussels and NASDAQ) biopharmaceutical company developing novel stem cell therapies. He, successfully developed TiGenix through several financing rounds, led its IPO on NASDAQ, and secured European marketing approval of its lead asset. In January 2018, Takeda Pharmaceutical Co. Ltd announced it was acquiring TiGenix. Prior to joining TiGenix' predecessor, Cellerix, in 2005, Mr Bravo held several senior management positions at Sanofi-Aventis and SmithKline Beecham. He is currently chair of Vivet Therapeutics, a private gene therapy company. Mr Bravo holds a degree in business administration and an MBA (INSEAD). He joined Nordic Nanovector as CEO in July 2018. Mr Bravo is a Spanish citizen and resides in the UK.

Marco Renoldi, MD
Chief Operating Officer (COO)

Dr Renoldi (62) has served as COO since June 2016. He joined Nordic Nanovector in November 2014 as chief business officer from Shionogi, where he was 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 oncology franchise head at Amgen, where he previously headed the Italian affiliate as managing director. Prior to joining Amgen, Dr Renoldi held national, regional and global R&D and business roles at Novartis, Searle-Monsanto and Pharmacia. In his 30+ year industry experience, Dr Renoldi has developed teams, product lines and businesses, including start-ups, at country and international level. Dr Renoldi serves as non-executive director in the board of Respinor, Norway. He holds a medical degree from the University of Milan and an MBA from Fondazione IDI/Assolombarda. Dr Renoldi is an Italian citizen and resides in Switzerland.

Lisa Rojkjaer, MD
Chief Medical Officer (CMO)

Dr Rojkjaer (53) 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, haematology 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. Dr Rojkjaer is a Canadian citizen and resides in Switzerland.

Tone Kvåle
Chief Financial Officer (CFO)

Ms Kvåle (49) 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 the 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. Ms Kvåle is a Norwegian citizen, and resides in Norway.

Jostein Dahle, PhD
Chief Scientific Officer (CSO)

Dr Dahle (46) 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 CEO 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. He holds an MSc in biophysics from the Norwegian University for Science and Technology in Trondheim (1995), a PhD in radiation biology from the 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). He has been with the company since incorporation in 2009. Dr Dahle is a Norwegian citizen and resides in Norway.

Rita Dege
Chief Human Resources Officer (CHRO)

Ms Rita Dege (52) has more than 20 years of experience from global organisations and international start-ups. Before joining Nordic Nanovector in 2015 she was head of human resources with an international environmental advisory firm. She further held senior positions within human resources, learning and development with the global maritime industry, management consulting and finance. She holds a diploma in languages, business and finance from the Euro Business and Language School, Germany. Ms Dege is a German citizen, and resides in Norway.

Rosemarie Corrigan
Chief Quality Officer (CQO)

Ms Corrigan (54) joined Nordic Nanovector in December 2017 as chief quality officer with overall responsibility for quality assurance (QA) and compliance. Ms Corrigan 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, Ms Corrigan held the position of global head of QA and alliance manager at the biopharmaceutical company ThromboGenics NV, supporting its products through development, launch and commercialisation. Prior to that, Ms Corrigan was vice president, global quality at Norgine, a European specialty pharma company, where she was responsible for development, manufacturing and supply, commercial and corporate compliance. She worked for over 10 years at Stiefel International (a skincare company and now part of GlaxoSmithKline), where she was an executive director and led global R&D QA and compliance. Ms Corrigan is a British citizen and resides in the UK.

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

Ms Brondberg (46) joined Nordic Nanovector in February 2018 as VP IR & CC. Ms Brondberg brings over 20 years of 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. Ms Brondberg is a Danish citizen and resides in the UK.

The board of directors

Jan H. Egberts, MD
Chair

Dr Egberts (60) has over 25 years of experience in the pharmaceutical and medical devices sector. Currently, Dr Egberts serves as the managing partner of Veritas Investments, a private investment company focused on minority and controlling investments in healthcare companies. Dr Egberts gained his medical degree from Erasmus University Medical School in the Netherlands and pursued the clinical part of his medical training at Harvard Medical School. He also obtained an MBA from Stanford University. After Stanford, he joined McKinsey & Co. as a strategic consultant in New York. Dr Egberts subsequently held various business development and general management positions of increasing responsibility in the US at Merck & Co. and Johnson & Johnson. Thereafter, he served as senior advisor, Healthcare Investments for 3i, the private equity firm. Dr Egberts then became CEO of OctoPlus, a publicly traded specialty pharmaceutical company in the Netherlands. OctoPlus was subsequently acquired by Dr Reddy Laboratories. After this, Dr Egberts joined Agendia, a molecular diagnostics company, initially as board member and subsequently full time as interim CEO. He also has held over 15 executive and non-executive supervisory board positions in the US and various European countries. He was elected chair on February 18th, 2019. Dr Egberts is a Dutch citizen and resides in The Netherlands.

Rainer Boehm, MD
Director

Mr Boehm (59) is an oncology expert with nearly 30 years of product development, commercial and corporate development experience working at Novartis, where since 2014 he has held the role of chief commercial & medical affairs officer of Novartis Pharma (Switzerland). He has also held various other senior roles regionally and globally within the oncology and pharmaceutical divisions, including executive vice president, North America of Novartis Oncology in the US from 2005-2010. During his tenure at Novartis, Mr Boehm oversaw the commercial launches of various oncology brands in the US and globally including Femara®, Zometa®, Glivec®, among others. Mr Boehm is a member of the board of directors at Cellectis SA and Humanigen Inc. He has a medical degree from the University of Ulm in Germany, and a Master of Business Administration from Schiller University in France. He is an independent director of the board. He was elected member of the board on May 30th, 2018. He attended 13 board meetings in 2018. Mr Boehm is a German citizen and resides in Switzerland.

Jean-Pierre Bizzari, MD
Director

Dr Bizzari (64) 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. He 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 Ontario 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 24 board meetings in 2018. Dr Bizzari is a French and US citizen, and resides in the US.

Joanna C Horobin
Director

Ms Horobin (64) 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, US. 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. Ms. Horobin also serves as an independent director of the board of Kymera. She has an MB ChB degree from the University of Manchester. Ms Horobin has served as a director in the company since October 2016. She is an independent director of the board. She attended 25 board meetings in 2018. Ms Horobin is a British citizen and resides in the US.

Per Samuelsson
Director

Mr Samuelsson (58) is a partner at Odlander Fredrikson/HealthCap, the life sciences venture capital firm, which was also the principal shareholder of Nordic Nanovector at December 31st, 2018. 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. He has served as a director in the company since November 2014. He attended 25 board meetings in 2018. Mr Samuelsson is a Swedish citizen, and resides in Sweden.

Gisela M Schwab, MD
Director

Dr Schwab (62) 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 chair 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, US, and is board-certified in internal medicine and haematology and oncology. She has served as an independent director of the company since March 2015. She attended 25 board meetings in 2018. Dr Schwab is a German citizen and resides in the US.

Hilde Hermansen Steineger, PhD
Director

Dr Steineger (53), is COO and co-founder of NorthSea Therapeutics B.V, and CEO of Staten Biotechnology. 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 November 2014. She is an independent director of the board. She attended 24 board meetings in 2018. Dr Steineger is a Norwegian citizen and resides in Norway.

Annual statement on corporate governance

Nordic Nanovector is committed to healthy corporate governance practices, strengthening and maintaining confidence in the company, and thereby contributing to long term value creation for shareholders and other stakeholders. Strong and sustainable corporate governance practices includes ethical business practices, reliable financial reporting and an environment of compliance with legislation and regulations. The objective of corporate governance is to regulate the division of roles between shareholders, the board and executive management more comprehensively than is required by legislation. Nordic Nanovector's principles for corporate governance are based on the following key elements:

- **All shareholders are treated equally.**
- **Nordic Nanovector will provide open, reliable and relevant communication to shareholders, governmental bodies and the public about the company's activities and its corporate governance commitment.**
- **Nordic Nanovector's board of directors is fully independent of the company's executive management.**
- **The majority of the members of the board of Nordic Nanovector are independent of major shareholders.**
- **Nordic Nanovector pays particular attention to ensuring that there are no conflicts between the interests of its shareholders, the members of its board and its executive management.**
- **Nordic Nanovector will ensure a clear division of responsibility between the board and the executive management.**

1. Implementation and reporting on corporate governance

Nordic Nanovector ASA's board of directors actively adheres to good corporate governance standards, in line with Norwegian laws and regulations, as well as international best practice standards. A Corporate Governance Policy was adopted by the board of directors in January 2015 and updated on April 30th, 2018 for and on behalf of the company. The Policy is, in all material aspects based on the Norwegian Code of Practice for Corporate Governance (the Code), to which the board has resolved that the company shall adhere.

Nordic Nanovector ASA is a Norwegian-registered public limited liability company with its shares listed on the Oslo Stock Exchange. The Norwegian Accounting Act Section 3-3b, which the company is subject to, sets out certain corporate governance related information which is to be disclosed and reported on through the issuance of an annual reporting document. This report meets the requirements provided by the Acounting Act. The Accounting Act is available on www.lovdata.no.

Further, the continuing obligations of stock exchange listed companies issues by the Oslo Stock Exchange requires listed companies to publish an annual statement of their practice related to their policy on corporate governance. In addition to setting out certain minimum requirements for such reporting (equivalent to those under the Accounting Act), the continuing obligations requires that the company reports on its compliance with the recommendations of the Code. Both the continuing obligations and the Code requires that an explanation is provided where a company has chosen an alternative approach to specific recommendations in the Code (i.e. a "comply or explain" basis). Nordic Nanovector complies with the current Code, most recently revised on October 17th, 2018. The company provides a report on its principles for corporate governance in its annual report and on its website. The continuing obligations are available on www.oslobors.no and the Code is available on www.nues.no.

The board of directors of Nordic Nanovector has, in close cooperation with the company's executive management 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, internal routines for handling take-over bids, 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 governance documents set 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.
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 board of directors is responsible for defining the company's strategies, primary objectives and risk profiles of the company, to support the company's value creation to shareholders. These are evaluated yearly and described in the annual report. The board of directors has also adopted guidelines for how it integrates considerations related to its stakeholders into its value creation.
Deviations from the Code: None

3. Equity and dividends

The board of directors should ensure that the company has a capital structure that is suitable for its objectives, strategy and risk profile. Total issued share capital at December 31st, 2018 amounted to NOK 9 886 189, divided into 49 430 945 shares, each with a par value of NOK 0.20.

The equity ratio at December 31st, 2018 was 76.7 per cent per cent and is considered suitable by the board of directors.

The board of directors has established a clear and predictable dividend policy, which is also disclosed at the company's website: The financial resources of Nordic Nanovector are directed towards the clinical development of Betalutin®, both as a standalone product and in combination with other treatments, further investigations in the company's product pipeline and preparing 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 30th, 2018 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. In January 2019, the company completed a private placement, raising approximately gross NOK 222 million, through the use of the authorisation granted by the annual general meeting.

The annual general meeting held May 30th, 2018 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 the next annual general meeting, but no longer than May 24th, 2019. In 2018, the authorisation was used to issue 6 035 new shares to three board members that have exercised the RSUs awarded to them in 2017. The number of RSUs currently outstanding are 68 391.

The extraordinary general meeting held on December 20th, 2017 (the "EGM") approved the company's new share based incentive programme. In 2018, the annual general meeting authorised the board of directors to grant up to 600 000 perfomance share units (PSUs) to the company's employees. The annual general meeting further resolved to issue up to 600 000 free-standing warrants to employees that were awarded PSUs. 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 6.1 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.
Deviations from the Code: None

5. Shares and negotiability

The are no restrictions related to owning, trading or voting for shares in Nordic Nanovector.
Deviations from the Code: None

6. General meetings

The board of directors strives to ensure that as many shareholders as possible can participate – and 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 2019 annual general meeting will be held on April 25th, 2019. 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 six out of seven 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 30th, 2018, re-elected Johan Christenson (chair) and Olav Steinnes as members of the nomination committee for a period until the AGM in 2019. In addition, Egil Bodd was elected as a new member of the committee for a period until the AGM in 2019. 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

Article 5 of Nordic Nanovector's articles of association states that the company's board of directors shall consist of three to nine members and that the 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 next annual general meeting.

The composition of the board shall ensure that it can act independently of any special interests. The board consists of; Jan H. Egberts (chair), Jean-Pierre Bizzari, Joanna Horobin, Per Samuelsson, Gisela M. Schwab, Hilde H. Steineger and Rainer Boehm.

Jan H. Egberts (chair), Jean-Pierre Bizzari, Rainer Boehm, 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.

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 6.3.2 to the annual accounts. An overview of the board members' attendance at board meetings is included in their respective biographies in the annual 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. 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 items to be considered by the board of directors. An overview of any transactions with related parties will be included in the annual report.

The board of directors has established an audit committee consisting of Hilde H. Steineger (chair), Jan H. Egberts 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, 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, Rainer Boehm, 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. The internal controls and systems also include the corporate governance related guidelines, as mentioned in section 1 and 2 above.

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. The annual bonus element is subject to an absolute limit of 67.5 per cent for the company's CEO and 37.5 to 45 per cent for other executives. The guidelines are included in a separate compensation report in the annual report.
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 days and investor presentations.

The board of directors has established several guidelines related to the company's disclosure of information to the financial markets, as mentioned in section 1 above.

The company publishes a financial 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

14. Take-overs

The board of directors has established guiding principles for how it will act in the event of a take-over offer. The board of directors will not attempt to influence, hinder or complicate the submission of bids for the acquisition of the company's operations or shares, or prevent the execution thereof. The board of directors will help ensure that shareholders are treated equally. If a take-over offer is made, the board of directors will obtain a valuation from an independent expert and issue a recommendation as to whether shareholders should accept the offer.
Deviations from the Code: None

15. Auditor

The board of directors ensures that the company's auditor on an annual basis presents to the audit committee the main features of the plan for the performance of the audit work. The auditor 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 March 29th, 2019.

Corporate social responsibility policy

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

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
- Environmental friendly supply, storage and handling of Betalutin®

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, quality policy, SOPs, GxPs requirements and any other framework applicable to the company's activities.

Approved by the board of directors, March 29th, 2019.

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®

Board of directors' report

Nordic Nanovector is committed to develop and deliver innovative therapies to patients to address major unmet medical needs and advance cancer care. The company aspires to become a leader in the development of targeted therapies for haematological cancers. Nordic Nanovector's lead clinical-stage candidate is Betalutin®, a novel CD37-targeting antibody-radionuclide-conjugate designed to advance the treatment of non-Hodgkin lymphoma (NHL). NHL is an indication with substantial unmet medical need, representing a growing market forecast to be worth nearly USD 29 billion by 2026. Nordic Nanovector intends to retain marketing rights and to actively participate in the commercialisation of Betalutin® in core markets.

Nordic Nanovector is developing its lead candidate Betalutin® (^{177}Lu-satetraxetan-lilotomab) as a new, targeted treatment for patients with non-Hodgkin lymphoma (NHL). Betalutin® targets the CD37 receptor on the surface of B cell malignancies and represents an alternative tumour target to CD20 on which the current standard-of-care NHL therapies (e.g. rituximab/RTX) are based. Betalutin® could therefore offer a new treatment mechanism for patients who progress on RTX based regimens.

The company's priority is to develop Betalutin® as a single-administration treatment for advanced recurrent follicular lymphoma (FL). Following the encouraging efficacy and favourable safety profile demonstrated in the LYMRIT 37-01 Phase 1/2 study, two Betalutin® dosing regimens are being compared in a pivotal, global, randomised Phase 2b trial (PARADIGME) to identify the best regimen and support market authorisation applications. Initial efficacy and safety data read-outs are expected in the first half of 2020.

Based on the promising safety and efficacy data from the LYMRIT 37-01 trial, Betalutin® has been granted fast track designation (June 2018) in the US and PIM designation in the UK (October 2018) for the treatment of patients with R/R FL, adding to Orphan Drug designation for FL in the US and Europe received in 2014.

Betalutin® in combination with RTX is also being investigated in 2nd line (2L) FL in the Phase 1b Archer-1 trial, and a Phase 1 study of single-agent Betalutin® in patients with R/R diffuse large B-cell lymphoma (DLBCL) (LYMRIT 37-05) is ongoing.

In addition, the company is beginning to see encouraging results from R&D collaborations with third parties that leverage its anti-CD37 targeting approach for NHL and other types of haematological malignancies. Betalutin® is a wholly owned asset, and the company has a clear plan to bring it to market independently.

IMPORTANT EVENTS

- Updated results from Phase 1/2 LYMRIT 37-01 demonstrating that single-administration Betalutin® is effective and well-tolerated in relapsed/refractory indolent non-Hodgkin lymphoma (R/R iNHL) patients reported at ASH (December).
- Pivotal Phase 2b PARADIGME trial progressing with 69 (of 80-85) sites in 23 countries open for enrolment, as of February 26th, 2019, including the first site in the US. First patient dosed in June.
- First patient dosed in Phase 1b Archer-1 trial of Betalutin® in combination with rituximab in 2nd line (2L) FL patients (November).
- Promising innovative medicine (PIM) designation (October) in the UK granted for the treatment of advanced R/R FL, adding to US fast track designation (granted in June).
- During the first half of 2018, the safety review committee for the DLBCL Phase 1 trial reviewed the data from the first two cohorts of patients and recommended proceeding with Betalutin® dose escalation to 15 MBq/kg, with a lilotomab pre-dose of 100 mg/m^2.
- Eduardo Bravo appointed as chief executive officer in June. He brings more than 25 years' experience from the biopharmaceutical industry.
- Approximately NOK 222 million (USD 26m) (gross) raised in an oversubscribed private placement which provides funds to support manufacturing and other activities in preparation for the commercialisation of Betalutin® (January 2019).
- Jan H. Egberts, M.D. elected new chair, succeeding Ludvik Sandnes, who stepped down from the board of directors (February 2019).

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 and listed on the Oslo Stock Exchange in 2015. 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.

The objective of Nordic Nanovector is clearly defined in section 3 of the company's articles of association:

The objective of the company is to develop, market and sell medical products and equipment and to run business related thereto or associated therewith.

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, while Nordic Nanovector Ltd is incorporated in London, England. Nordic Nanovector also has operations in Denmark through Nordic Nanovector DK, a branch of Nordic Nanovector ASA. The branch was established in October 2017.

The headquarters and laboratories are located in Oslo, Norway.

Vision and strategy

Nordic Nanovector's vision is to significantly advance the treatment of cancer patients with innovative targeted therapies. 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 targeted 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 follicular lymphoma (FL), and in parallel to run an additional trial in 2nd line follicular lymphoma 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 intends to maximise the value of Betalutin® across other stages of FL, NHL and other haematological cancer indications.

Market, product and customers

Currently, more than 200 different types of cancer exist, which can develop in 60 different organs in the body. Some cancer types are known for taking thousands of lives every year, among these are: breast, lung, prostate, bowel, malignant melanoma and non-Hodgkin lymphoma (NHL), a haematological cancer. NHL can be further divided in two groups; B-cell lymphomas (including, amongst other subtypes, diffuse large B-cell lymphoma, follicular lymphoma, chronic lymphocytic leukemia/small lymphocytic lymphoma, mantle cell lymphoma and marginal zone lymphoma) and T-cell lymphomas (precursor T-lymphoblastic lymphoma/leukemia and peripheral T-cell lymphomas).

NHL is a relatively common type of cancer that develops in either B lymphocytes or T lymphocytes, often referred to as B cells and T cells. B cells and T cells are white blood cells. B cells make up 85 per cent of the total lymphocytes, while T cells make up 15 per cent.

The total number of incident cases of NHL is estimated to increase by 34 per cent over the 2016-2026 forecast period, from 140 700 to 168 000 cases. The United States has the highest incidence of NHL: 24 per 100 000 per year.

Follicular lymphoma (FL), a B-cell lymphoma, is the most common indolent (slow-growing) form of NHL. Common signs of disease include enlargement of the lymph nodes in the neck, underarm, stomach, or groin, as well as fatigue, shortness of breath, night sweats, and weight loss. Often, people with FL have no obvious symptoms of the disease at diagnosis. Over time, some patients with FL may eventually develop a transformed lymphoma, which is often more aggressive and usually requires more intensive types of treatment.

The number of diagnosed incident cases of FL in the US and Europe (key 5 markets) in 2015 was 13 980 and 10 800, respectively. These numbers are expected to reach 16 620 and 11 860 in the US and Europe (key 5 markets), respectively, by 2024, indicating a CAGR of approximately 1 per cent.

DLBCL is a sub group of B-cell lymphoma within NHL. Accounting for approximately one third of newly diagnosed cases of NHL, DLBCL is the most common type of NHL cancer. DLBCL occurs in both men and women, although it is slightly more common in men. Although DLBCL can occur in childhood, its incidence generally increases with age, and roughly half of patients are over the age of 60. DLBCL is an aggressive lymphoma that can arise in lymph nodes or outside of the lymphatic system, in the gastrointestinal tract, testes, thyroid, skin, breast, bone, or brain.

The number of diagnosed incident cases of DLBCL in the US and Europe in 2016 was 26 500 and 17 200, respectively. These numbers are expected to reach 31 500 and 19 000 by 2024 in the US and Europe, respectively.

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).

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 1st 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.

The company will consider the various payer groups in the different geographic markets as key customers, e.g., US Government (Medicaid, Medicare Part B, VA/DOD and Medicare Part D), US commercial payers (employer-based insurances), and National Healthcare Systems in the various EU countries. In addition, the company will focus its marketing efforts towards community-based, hospital-based, and tertiary centre-based prescribing haematologists/oncologists, nuclear medicine and radiation oncology specialists.

Patients with non-Hodgkin lymphoma are generally referred to a haematologist or oncologist by their primary-care physician (PCP) in order to receive diagnosis and treatment of NHL. Major prescribers of NHL treatments are haematologists and oncologists in community or tertiary centres. While the US National Lymphocare Survey suggests that approximately 80 per cent of NHL patients are initially treated in community settings, over the last few years there has been a marked decrease in the number of independent oncology practices. A large number of private oncology practices have been incorporated into Integrated Delivery Networks (IDN) or have partnered with academic institutions. In Europe most patients are treated in tertiary centres with the exception of Germany.

OPERATIONAL REVIEW

Updated results presented at ASH continue to highlight strong clinical profile of Betalutin®.

Updated results from the LYMRIT 37-01 Phase 1/2 clinical study of Betalutin® in patients with R/R iNHL were presented in a poster at the 60th American Society of Hematology (ASH) Annual Meeting & Exposition in December 2018. The published dataset (as of November 2nd, 2018) included 74 evaluable patients; all patients received Betalutin® as a once-only administration and had six or more months of follow-up.

The conclusions from the study results are that a single administration of Betalutin® is well-tolerated and demonstrates encouraging anti-tumour activity in recurrent iNHL, especially in FL patients, the primary NHL population for which Betalutin® is being developed.

Key results are:

Patients	Number of patients (n)	Overall response rate (ORR)	Complete responses (CR)
All iNHL patients	74	61%	28%
FL patients	57	65%	28%
3L FL patients (≥2 prior therapies)	37	70%	32%
FL patients in Arm 1 (40 mg lilotomab followed by 15 MBq/kg Betalutin®)	25	64%	32%
FL patients in Arm 4 (100 mg/m^2 lilotomab followed by 20 MBq/kg Betalutin®)	16	69%	25%
RTX refractory FL, ≥2 prior therapies	21	62%	19%

The median duration of response (mDoR) was 9.0 months for all patients and 20.7 months for those with a CR. 25 patients (34 per cent) have remained free of disease progression for 12 months or more. These data are still maturing as follow-up for duration of response is on-going.

Betalutin® therapy was well tolerated with no unexpected safety findings. The most common adverse events were transient Grade 3/4 neutropenia and thrombocytopenia and were predictable and manageable.

Separately, biodistribution (dosimetry) data generated during LYMRIT 37-01, some of which was recently presented at the European Association of Nuclear Medicine annual congress (October), have proved sufficient to advance the clinical development of Betalutin®. Dosimetry data will continue to be collected in the PARADIGME study, and the company has therefore discontinued the LYMRIT 37-02 dosimetry study, which was planning to enrol 8-12 patients.

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.

PARADIGME update

As mentioned above, PARADIGME is a pivotal, global, randomised Phase 2b trial comparing two Betalutin® dosing regimens, identified in the LYMRIT 37-01 trial, in relapsed, rituximab/anti-CD20 refractory FL patients who have received ≥2 prior therapies.

The dosing regimens identified are:

- 15 MBq/kg Betalutin® with a pre-dose of 40 mg lilotomab
- 20 MBq/kg Betalutin® with a pre-dose of 100 mg/m^2 lilotomab

The primary endpoint for the trial is overall response rate (ORR) and secondary endpoints include duration of response (DoR), progression-free survival (PFS), overall survival (OS), safety and quality of life. The trial aims to enrol 130 patients at 80–85 sites in more than 20 countries.

As of February 26th, 2019, PARADIGME is open for patient enrolment at 69 (of 80–85) sites in 23 countries, including the US, where activation of the first site, in Long Beach, CA, was announced in October 2018.

The company also announced in October 2018 that Betalutin® therapy has been granted promising innovative medicine (PIM) designation by the UK's Medicines and Healthcare Products Regulatory Agency (MHRA) for the treatment of patients with advanced R/R FL. The designation was granted based on data from the Phase 1/2 LYMRIT 37-01 trial.

Both the PIM and fast track designations (by the US Food & Drug Administration in June) acknowledge the high unmet medical need of the target patient population, as well as the potential of Betalutin® to offer therapeutic benefits to FL patients. These designations are very encouraging, as they provide opportunities for enhanced dialogue with health authorities and the potential to bring Betalutin® to patients quicker.

First patient dosed in Archer-1: evaluating Betalutin® in combination with rituximab in 2L FL.

Rituximab (RTX) is a CD20-targeting antibody and the most widely used therapy administered to patients with newly-diagnosed or relapsed FL as a single agent or in combination with chemotherapy. It has been reported that approximately 40-60 per cent of NHL patients treated with an RTX-containing regimen are either refractory to therapy or develop resistance within five years, thus alternative treatment modalities are needed. The five-year overall survival rate for RTX-refractory FL patients is 58 per cent compared to approximately 90 per cent for all FL patients. Therefore, relapsed FL is considered to be a serious and life-threatening disease. In addition, developing novel "chemo-free" regimens for patients as an alternative to chemotherapy is desirable.

The company believes that CD37, the molecule targeted by Betalutin®, could represent an important alternative target for new therapies for FL patients. Furthermore, the combination of anti-CD37 and anti-CD20 modalities could represent a novel dual immunotherapy approach for the treatment of these patients.

The rationale for a combination trial of Betalutin® and RTX was provided by preclinical data published in the European Journal of Haematology in July 2018 (Repetto-Llamazares, A.H.V. *et al.*). These data demonstrate that treatment with the combination of Betalutin® and RTX significantly prolonged overall survival in a murine model of NHL compared to treatment with either agent alone, possibly by reverting downregulation of CD20 and resistance to RTX.

In November 2018, the company reported that the first patient had been dosed in the Archer-1 trial. Archer-1 is a Phase 1b open-label, single-arm, multi-centre dose-escalation trial to assess the safety and preliminary activity of Betalutin® plus RTX in 20–25 patients with relapsed/refractory 2L FL.

- Starting doses of Betalutin® and lilotomab are 10 MBq/kg and 40 mg/m^2, respectively, with the option to increase the Betalutin® dose to 15 MBq/kg.
- Patients will receive Betalutin® followed by four weekly doses of RTX. Responding patients will go on to receive up to two years of maintenance RTX therapy.
- The primary endpoint is safety, and secondary endpoints include ORR, DoR, PFS and OS.

Phase 1 study with Betalutin® in DLBCL advances to next dosing level

A Phase 1 study evaluating Betalutin® in patients with R/R diffuse large B-cell lymphoma (DLBCL) (LYMRIT 37-05) is ongoing. DLBCL is an aggressive form of NHL and prevalence at 10 years is roughly 43 per cent of all diagnoses, making it the most common type of NHL.

During the first half of 2018, the safety review committee for the trial reviewed the data from the first two cohorts of patients and recommended proceeding with Betalutin® dose escalation to 15 MBq/kg, with a lilotomab pre-dose of 100 mg/m^2.

Patients in these first two dosing cohorts received 10 MBq/kg Betalutin® following 60 mg/m^2 and 100 mg/m^2 lilotomab, respectively. Both dosing regimens were found to be well tolerated with no unexpected safety issues.

Encouraging preclinical results emerging from collaborative R&D project

In December 2018, a poster reporting initial results from a research collaboration to develop a novel CD37-targeting alpha therapy for B-cell malignancies was presented at ASH.

The collaboration with Orano Med (formerly known as Areva Med) is underway to develop and investigate a next-generation targeted alpha therapy comprising Nordic Nanovector's chimeric anti-CD37 antibody (NNV003) with lead-212 (212Pb), for the treatment of B-cell malignancies.

The preclinical studies investigated the dose-dependent efficacy and tolerability of 212Pb-NNV003 in human cell and mouse models of chronic lymphocytic leukaemia (CLL) and Burkitt's lymphoma (a type of NHL). In the studies, 212Pb-NNV003 was found to be well tolerated and led to a 90–100 per cent survival rate in mouse models of CLL and NHL.

There is a strong scientific rationale for combining CD37-targeting approaches with other cytotoxic payloads, including radionuclides and toxins. CD37 is an important target for B-cell malignancies, as it is selectively expressed on the surface of B-cell malignancies. Alpha-emitting radionuclides have demonstrated good potential for targeted cancer therapies because their high energy is limited to a very short distance (50–100 µm, a few cell widths) resulting in localised cytotoxicity while sparing surrounding healthy tissues. The development of 212Pb-conjugated CD37-targeted alpha therapy therefore offers the potential to treat leukaemias and lymphomas where there is no substantial tumour mass and tumour cells are near healthy tissues.

Other research collaborations and projects investigating the potential of Nordic Nanovector's CD37-targeting approach with radionuclide and cytotoxic payloads are ongoing.

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.

Extensive market research has been 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®.

Manufacturing

The company uses external contract manufacturing organizations ("CMO's") to manufacture the antibody lilotomab and Betalutin®. The company has employed experienced personnel, capable of directing work that is performed by the CMO's. This approach to product development allows for a quick change of research directions and efforts when needed and to quickly bring in new technologies and expertise when necessary.

The production of the crude lilotomab is carried out in Oslo, Norway and the antibody is then purified and conjugated in Spain. The production process for Betalutin® is well-documented and clinical supplies are manufactured according to existing good manufacturing practice ("GMP") in Norway. The product is shipped from there to the clinical trial sites world-wide.

INTELLECTUAL PROPERTY

The company has a "composition of matter" patent on the complete antibody-chelator-radionuclide complex of Betalutin®. The issued claims cover the company's proprietary radioimmunotherapy technology. The expiry date for the patent is 2031 with possible extension for up to five years after initial patent term. The patent is granted in US, EU (30 countries), Norway, Canada, Hong Kong, South Africa, Japan, New Zealand, Australia, Israel, Russia, Mexico, Korea, Singapore, Philippines and China. Patent applications are pending in Thailand, Brazil, Indonesia, India and Ukraine.

The company has filed patent applications on chimeric versions of Betalutin® published as PCT application, and have also filed divisional applications on the Betalutin® patent application that cover chimeric versions. The expiry date for the patent is 2032 with possible extension for up to five years after initial patent term. Applications have been filed in US, Hong Kong, Japan, South Africa, China, Mexico, Australia, Singapore, Thailand, Philippines, Brazil, Canada, Indonesia, India, Ukraine, Russia and in the EU (30 countries). The patent is granted in Australia, Korea, New Zealand and Israel.

The company has filed a patent application related to upregulation of CD20 after Betalutin® treatment. The expiry date for the patent is 2034 with possible extension for up to five years after initial patent term. Applications have been filed in US, Hong Kong, Australia, South Africa, New Zealand, China, Mexico, Thailand, Philippines, Brazil, Canada, Indonesia, India, Korea and Russia. Patent has been granted in Israel and Europe (32 countries including Norway).

The company has filed a patent application related to different pre-dosing and pre-treatment regimens for clinical use of Betalutin®. This patent application is currently in the international PCT-phase.

The company has filed a patent application related to different combinations between radioimmunotherapy and other drugs. The ownerships of the above mentioned patents and patent applications are held by the company.

Applications for protection of the trademark Betalutin® have been filed and approved in Australia, Canada, Switzerland, China, EU, Japan, Korea, Russia, Singapore, US, Israel, Mexico, New Zealand, South Africa and Norway. 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 2017 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, 2018.

Income statement

Total operating revenues for 2018 amounted to NOK 0.0 million (NOK 0.3 million). The company has terminated an agreement of incubator services and sublease of office and laboratory facilities.

Total operating expenses increased to NOK 340.0 million (NOK 316.8 million), primarily reflecting higher operational activities. Payroll and related expenses rose to NOK 79.2 million (NOK 80.6 million). Costs from an increased number of employees were partly offset by reduced non-cash costs related to granted options. Other expenses amounted to NOK 258.5 million (NOK 234.7 million), the increase being driven higher operational activities with three clinical trials up and running.

Operating loss for 2018 ended at NOK 340.0 million (loss of NOK 316.5 million).

Net financial items for 2018 amounted to NOK 3.0 million (NOK 23.1 million), driven by currency fluctuations on bank deposits as well as interest income. Comprehensive loss for the year was NOK 336.8 million (loss of NOK 295.6 million).

Cash flow and financial position

Net cash flow from operating activities in 2018 was negative NOK 326.6 million (negative NOK 249.4 million) driven by operational activities. Net cash flow from investing activities ended at NOK 2.4 million (NOK 3.3 million), primarily related to received interest on bank deposits. Net cash flow from financing activi-

ties amounted to NOK 8.6 million (negative NOK 32.6 million), caused by exercise of share options.

Exchange rate fluctuations impacted cash and cash equivalents by negative NOK 0.9 million in 2018 (NOK 17.1 million). Cash and cash equivalents amounted to NOK 440.1 million at December 31st, 2018, down from NOK 756.6 million at the end of December 2017.

Total assets were NOK 473.6 million at the end of 2018, down from NOK 780.5 million at the end of 2017, primarily due to a lower cash holding following operational activities.

Total shareholders' equity amounted to NOK 363.2 million at December 31st, 2018, representing an equity ratio of 76.7 per cent, compared to NOK 679.6 million and 87.1 per cent respectively at the last day of 2017. Total liabilities were NOK 110.4 million, up from NOK 100.9 million at the end of 2017, driven by increase of accounts payable and cost accruals.

Parent company
Nordic Nanovector ASA (the parent company) recorded a loss of NOK 340.3 million for 2018 (NOK 278.9 million). Total equity amounted to NOK 357.9 million at December 31st, 2018 (NOK 682.7 million). The equity ratio of the parent company was 78.1 per cent (88.3 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 259.7 million in 2018 (NOK 220.3 million), accounting for 73.9 per cent (70.8 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. Nordic Nanovector's strategy is to continuously identify, minimise and mitigate potential risks and risk assessment and management is an integral part of Nordic Nanovector's operations.

Operational and market risks

- Betalutin® is currently in 3 clinical trials ranging from Phase 1 to 2b for treatment of relapsed NHL. This is in an early stage of development and the company's clinical studies may prove not to be successful. The development of pharmaceuticals involves significant risk, and failure may occur at any stage during development and after marketing approvals have been received, due to safety or clinical efficacy issues. Moreover, the commencement and completion of clinical trials may be delayed by several factors, including but not limited to unforeseen safety issues, issues related to determination of dose, lack of effectiveness during clinical trials, slower than expected patient enrolment in clinical trials, unforeseen requirements from the regulatory agencies related to the conduct of clinical trials, violation by medical investigators of clinical protocols and termination of license agreements necessary to complete trials.

- The company will need approvals from the FDA to market Betalutin® in the USA, and from EMA and European country specific approvals to market in Europe, as well as equivalent regulatory authorities in other foreign jurisdictions to commercialise in those regions. No assurance can be given with respect to obtaining such approvals or the timing thereof.

- Delays or failures on obtaining sufficient clinical supplies of Betalutin® for use in trials, due to failures in one or more steps of the manufacturing process and/or improper shipment/handling/delivery of Betalutin® by the contract manufacturing organisations (CMOs) to the clinical trial sites. Manufacturing process validation necessary for regulatory approvals may fail.

- Product manufacturing and quality issues may result in a potential shortage of supplies.

- In order to execute the clinical programmes, prepare for filing and launch the products, the company will require new capital in the future. Adequate sources of capital funding may not be available when needed or may not be available on favourable terms.

- Changes in the healthcare environment and reimbursement policy in both EU and the US may impact Nordic Nanovector's ability to charge the desired price to enable a profitable commercialisation, and/or result in more significant reimbursement restrictions for Betalutin®.

- The company operates in a highly competitive industry and the competitive landscape in NHL is becoming more and more crowded. Development by others may render the product candidates or technologies obsolete or non-competitive. The company's drug Betalutin® is a radiopharmaceutical product, and as such it can only be prescribed and administered by an authorised user, e.g. a nuclear medicine or a radiation oncology specialist, while patients with NHL are treated by haematologists and oncologists, and this may potentially represent a barrier that may affect market acceptance. Many of the company's current and potential competitors have access to greater capital resources, research and development organisations, regulatory and operational experience, manufacturing facilities and commercialisation infrastructure. As a result, Betalutin®'s regulatory label, reimbursed price and market uptake may be impacted.

- The company relies upon third-party suppliers, most importantly for clinical trial execution and manufacturing of drug supply. There is a risk that the company cannot enter into or maintain satisfactory agreements with third-party suppliers, like CROs for the conduct of clinical trials or CMOs for the production of drug supply. The company's failure to enter into such agreements or the poor performance of third-party suppliers could have a material effect on the business, financial condition and results of operations.

- The company's business involves use of hazardous materials, chemical, biological and radioactive compounds and is thus exposed to environmental risks. The company believes that its safety procedures comply with the state-of-art standards; however, there will always be a risk of accidental contamination or injury.

- The company has not experienced any clinical trial liability claims to date, but it may experience such claims in the future. The company currently maintains clinical trial liability insurance, but the existing program may not be sufficient to cover claims and such insurance may not be available in the future on acceptable terms, if at all.

- The success, competitive position and future revenues will depend in part on the company's ability to protect intellectual property and know-how. Competitors may claim that one or more of the company's product candidates infringe upon their patents or other intellectual property. Resolving a patent or other intellectual property infringement claim can be costly and time consuming and may require the company to enter into royalty or license agreements, and the company cannot guarantee that it would be possible to enter into such agreements on commercially advantageous terms or at all.

The company's board and management team continuously monitors operations and prepares 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 4.6 million (NOK 5.8 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 and continuously monitors the level of these funds. The parent's deposits in foreign currencies at year-end 2018 amounted to an equivalent of NOK 138.6 million (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 no revenues. The Nordic Nanovector group has not suffered any losses on receivables during 2018. Other current receivables are mainly related to grants from the government institution Research Council of Norway, and prepayments of services to suppliers. 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.

In January 2019, Nordic Nanovector raised gross amount of NOK 222 million (USD 26 million) through the completion of a oversubscribed private placement followed by a repair issue, which raised gross amount of NOK 3.1 million (USD 0.3 million). More details on the transactions are included in the section "subsequent events" below. Following these transactions, the current cash resources are expected to be sufficient to reach data read-out from PARADIGME in the first half of 2020.

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 based on this assumption.

Major events that have occurred since the end of 2018 are included in the section "subsequent events" below, as well as in note 9.1 of the financial statements in this report.

ALLOCATION OF THE PARENT COMPANY'S NET RESULT

Nordic Nanovector ASA's loss for 2018 amounted to NOK 340.3 million (NOK 278.9 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.

SHARE INFORMATION

As of December 31st, 2018, Nordic Nanovector ASA had 49 430 945 shares outstanding. The number of shareholders increased to 8 276 (8 258). At year-end 2018, 22 per cent (20 per cent) of the shares were held by foreign investors. Please refer to note 5.5 for further information on shareholders.

The closing share price of the Nordic Nanovector ASA on the last trading day of 2018 was NOK 50.9 (NOK 81.0), corresponding to a total market capitalisation for the company of NOK 2 516 216 million (NOK 3 972 596 million).

Please refer to note 6.1 for information on options and performance share units (PSUs).

SUBSEQUENT EVENTS

Private placement

On January 25th, 2019 the company raised NOK 222 million in gross proceeds through a private placement of 4 943 094 new shares. The private placement was completed at a subscription price of NOK 45 per share, which was determined through an accelerated book-building process. Following registration of the new share capital pertaining to the private placement in the Norwegian Register of Business Enterprises, which took place on January 30th, 2019, the company has an issued share capital of NOK 10 874 807.80, divided into 54 374 039 shares, each with a par value of NOK 0.20.

Allocation of PSUs

The board of directors of Nordic Nanovector ASA decided on January 31st, 2019 to grant 259 000 performance share units (PSUs) to employees in accordance with the authorisation granted at the annual general meeting held on May 30th, 2018. The PSUs are granted without consideration. The PSUs 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.

Of the 259 000 allocated PSUs, 205 000 PSUs have been granted to members of the company's executive management, 28 000 PSUs have been granted to new employees and 26 000 PSUs have been granted to other current employees. The total number of outstanding options and PSUs are as of March 29th, 2019, 2 439 908 and 720 250 respectively. Subject to all vesting conditions being fulfilled exercise of the options and PSUs would create a 5.4 per cent dilution of the outstanding shares on a fully diluted basis. The terms and conditions of the PSUs, which are part of the company's long term incentive plan for employees, are described in note 6.2 in this report.

Extraordinary general meeting

The extraordinary general meeting February 18th, 2019 approved the authorisation to the board of directors to increase the share capital with up to 777 777 shares with a par value of NOK 0.20 in connection with the repair offering as announced on January 25th, 2019, and the election of Dr Jan H. Egberts as new chair of the board of directors. More information about Dr Jan Egberts is included in the overview of the board of directors on page 28, as well as in the section on changes in the board of directors below.

Share capital increase registered

On March 6th, 2019 the share capital of the company was increased by NOK 45 424.20 through issuance of 227 121 new shares, each with a nominal value of NOK 0.20, against payment of a total subscription price of NOK 5 005 424.20. The increase was as a result of the former chair of the company Ludvik Sandnes' exercise of 27 121 RSUs and an individual participant in the company previous share option programme, not being a primary insider, exercising a total number of 200 000 options through exercise of a corresponding number of warrants. Following the share capital increase the company has a share capital of NOK 10 920 232 divided on 54 601 160 shares, each with a nominal value of NOK 0.20.

Repair offering

By the expiry of the subscription period, March 6th, 2019, a total of 69 051 offer shares were subscribed for at a subscription price of NOK 45.00 and will be allocated to investors having subscribed for the offer shares. Following delivery of the offer shares, the share capital of the company will be NOK 10 934 042.20, divided on 54 670 211 shares each with a nominal value of NOK 0.20.

Share capital increase registered

An individual participant in Nordic Nanovector ASA's previous share option programme, not being a primary insider, exercised a total number of 17 392 options through exercise of a corresponding number of free-standing warrants. 14 374 of the options are exercised at a strike price of NOK 30.00 per share, and 3 018 of the options are exercised at a strike price of NOK 14.24. Following exercise of the 17 392 free-standing warrants, March 18th, 2019 the company's registered share capital was increased by NOK 3 478.40 through issuance of 17 392 new shares, each with a nominal value of NOK 0.20, against payment of a total subscription price of NOK 474 196. Following the share capital increase the company has a share capital of NOK 10 937 520.60 divided on 54 687 603 shares, each with a par value of NOK 0.20.

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 17th, 2018, may be found at www.nues.no.

The annual statement on corporate governance can be found on page 30 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 policy for corporate social responsibility (CSR) and a code of conduct, both documents being revised and approved by the company's board of directors on April 30th, 2018. The 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 CSR policy and the full code of conduct can be found on the company's website, www.nordicnanovector.com – under the Corporate Governance part of the investor section.

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

HEALTH, SAFETY AND THE ENVIRONMENT

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 outsourced. 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 2018. Sick leave in Nordic Nanovector ASA totalled 463.72 working days in 2018. The breakdown of sickness absence in 2018 corresponds to 4.7 per cent of total working days (1.5 percent short term sickness absence and 3.2 percent long term sickness absence). This compares to the 57 working days and 0.82 per cent of sick leave (short term sickness absence) reported in 2017.

Nordic Nanovector's working culture is based on collaboration and a distinct sense of commitment to the company's mission and strategy.

EMPLOYEES, ORGANISATION AND EQUAL OPPORTUNITIES

At the end of 2018, the group employed 38 (36) people, of which 3 part time employees and 8 employed in subsidiaries. Nordic Nanovector ASA employs 30 of the Nordic Nanovector group's 38 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 66 per cent women and 34 per cent men, representing 12 different nationalities. The board of directors consists of 42.9 per cent women. The executive management team consists of 62.5 per cent women and 37.5 per cent men.

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 board of directors

At the company's extraordinary general meeting on February 18th, 2019, Nordic Nanovector elected Dr Jan H. Egbert as new chair of the board. Dr Egberts has more than 25 years of experience in the pharmaceutical and medical devices sector. He gained his medical qualifications from Erasmus University Medical School in the Netherlands and pursued the final year of his medical education at Harvard Medical School in the US. Dr Egberts also obtained an MBA from Stanford University in the US. Dr Egberts is currently the Managing Partner of Veritas Investments, a family investment firm focused on investments in healthcare companies in the US and Europe.

At the company's annual general meeting on May 30th, 2018, Mr Rainer Boehm, MD, was elected a member of the board of directors. Mr Boehm is an oncology expert with nearly 30 years' product development, commercial and corporate development experience working at Novartis, where he has held the role chief commercial & medical affairs officer of Novartis Pharma (Switzerland) since 2014. He has also held various other senior roles regionally and globally within the Oncology and Pharmaceutical divisions at Novartis. Mr Boehm has a medical degree from the University of Ulm in Germany, and a Master of Business Administration from Schiller University in France.
For more information about the experience and expertise of the directors of the board, as well as an overview of other board positions and attendance to board meetings, see the separate overview of the board of directors on pages 28 and 29 in this report.

Changes to the management team

On June 25th, 2018, the company announced the appointment of Mr Eduardo Bravo as its chief executive officer (CEO). Mr Bravo brings more than 25 years' experience in the biopharmaceutical industry and a strong track record in leading and growing international biotech and pharmaceutical organisations.

In April 2018, the company announced that Luigi Costa would step down as chief executive officer by mutual agreement with the board of directors. Tone Kvåle was appointed to the position of interim chief executive officer (CEO) in addition to her current role as chief financial officer.

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. Brondberg serves 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.

For more information about the members of the management team, please see the separate overview of the management on pages 26 and 27 in this report.

OUTLOOK

Nordic Nanovector aspires to become a leader in the field of targeted 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, has a highly differentiated, competitive, clinical profile for R/R FL, based on the promising results from the LYMRIT 37-01 Phase 1/2 clinical study. The company's pivotal Phase 2b PARADIGME trial with a once-only administration of Betalutin® in 3L R/R FL is underway with the initial clinical data read-out targeted for 1H 2020 and subsequent filing in 2020 for marketing approval.

Nordic Nanovector intends to maximise the value of Betalutin® and other CD37-targeting opportunities across other stages of FL, NHL and other haematological cancer indications.

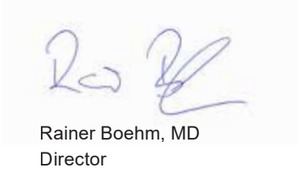
The company is confident that Betalutin® could become an attractive and convenient therapeutic option, which, based on detailed market research, has the potential to be commercially successful. Current cash resources are expected to be sufficient to reach data read-out from PARADIGME in the first half of 2020.

Oslo, March 29th, 2019

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

Jan H. Egberts, MD
Chair

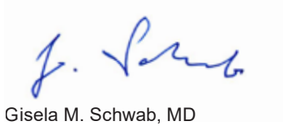
Jean-Pierre Bizzari, MD
Director



Rainer Boehm, MD
Director

Joanna C Horobin
Director

Per Samuelsson
Director



Gisela M. Schwab, MD
Director

Hilde Hermansen Steineger, PhD
Director

Eduardo Bravo
CEO

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period from January 1st, to December 31st, 2018 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, March 29th, 2019

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

Jan H. Egberts, MD
Chair

Jean-Pierre Bizzari, MD
Director

Rainer Boehm, MD
Director

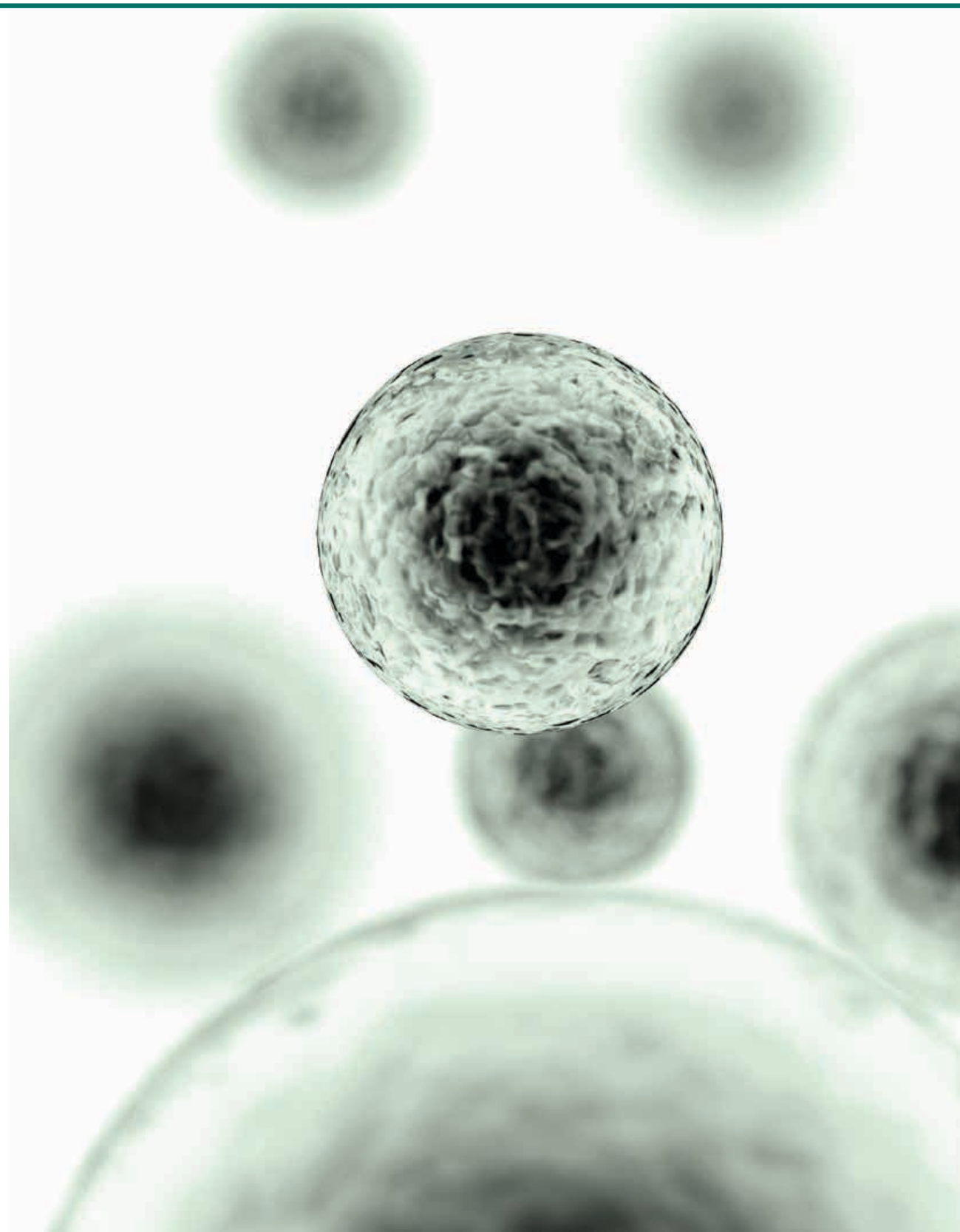
Joanna C Horobin
Director

Per Samuelsson
Director

Gisela M. Schwab, MD
Director

Hilde Hermansen Steineger, PhD
Director

Eduardo Bravo
CEO



Financial statements

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Consolidated statement of profit or loss and other comprehensive income

For the year ended December 31st

PARENT				GROUP	
2017	2018	(Amounts in NOK 1 000)	Note	2018	2017
302	**0**	Revenues		**0**	302
302	**0**	**Total operating revenue**		**0**	302
43 122	**40 758**	Payroll and related expenses	3.2	**79 208**	80 609
1 483	**2 252**	Depreciation	4.1	**2 252**	1 483
257 566	**300 562**	Other operating expenses	3.1	**258 553**	234 732
302 171	**343 572**	**Total operating expenses**		**340 013**	316 824
-301 869	**-343 572**	**Operating profit (loss)**		**-340 013**	-316 522
		Finance income and finance expenses			
5 857	**4 570**	Finance income	5.6	**4 584**	5 899
10	**1**	Finance expenses	5.6	**2**	10
17 100	**-1 275**	Net currency gains (loss)	5.6	**-1 541**	17 200
22 947	**3 294**	**Net finance income (expenses)**		**3 041**	23 089
-278 922	**-340 278**	**Loss before income tax**		**-336 972**	-293 433
-11	**-35**	Income tax	7.1	**-800**	-381
-278 933	**-340 313**	**Loss for the year**		**-337 772**	-293 814
		Other comprehensive income (loss), net of income tax to be reclassified to profit and loss in subsequent periods			
0	**0**	Translation effects		**369**	86
		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		**633**	-1 839
-278 933	**-340 313**	**Total comprehensive income (loss) for the year**		**-336 770**	-295 567
-278 933	**-340 313**	Loss for the year attributable to owners of the parent		**-337 772**	-293 814
-278 933	**-340 313**	**Total comprehensive income (loss) for the year attributable to owners of the parent**		**-336 770**	-295 567
		Earnings (loss) per share			
-5,69	**-6,93**	Basic and diluted earnings (loss) per share	5.7	**-6,88**	-5,99

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

Consolidated statement of financial position

For the year ended December 31st

PARENT				GROUP	
2017	2018	(Amounts in NOK 1 000)	Note	2018	2017
		ASSETS			
		Non-current assets			
4 174	**4 082**	Property, plant and equipment	4.1	**4 082**	4 174
137	**137**	Shares in subsidiaries	8.1	**0**	0
4 311	**4 219**	**Total non-current assets**		**4 082**	4 174
		Current assets			
		Receivables			
18 165	**26 247**	Other current receivables and prepayments	3.4	**29 435**	19 726
18 165	**26 247**	**Total current receivables**		**29 435**	19 726
750 821	**427 625**	Cash and cash equivalents	5.3	**440 069**	756 571
768 986	**453 872**	**Total current assets**		**469 504**	776 297
773 297	**458 091**	**TOTAL ASSETS**		**473 586**	780 471
		EQUITY AND LIABILITIES			
		Equity			
9 809	**9 886**	Share capital	5.5	**9 886**	9 809
1 434 896	**593 399**	Share premium		**593 399**	1 434 896
17 633	**24 639**	Other paid in capital		**56 320**	44 551
-779 680	**-269 993**	Accumulated losses		**-296 412**	-809 642
682 658	**357 931**	**Total equity**		**363 193**	679 614
		Liabilities			
		Non-current liabilities			
0	**0**	Net employee defined benefit liabilities	6.5	**3 371**	3 619
0	**0**	**Total non-current liabilities**		**3 371**	3 619
		Current liabilities			
28 415	**32 092**	Accounts payable	5.4	**34 040**	29 317
6 810	**14 201**	Current liabilities to group companies	5.4, 8.2	**0**	0
11	**35**	Tax payable	5.4, 7.1	**804**	467
55 403	**53 832**	Other current liabilities	3.6, 5.4	**72 178**	67 454
90 639	**100 160**	**Total current liabilities**		**107 022**	97 238
90 639	**100 160**	**Total liabilities**		**110 393**	100 857
773 297	**458 091**	**TOTAL EQUITY AND LIABILITIES**		**473 586**	780 471

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

Oslo, March 29th, 2019

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

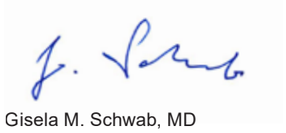
Jan H. Egberts, MD
Chair

Jean-Pierre Bizzari, MD
Director

Rainer Boehm, MD
Director

Joanna C Horobin
Director

Per Samuelsson
Director



Gisela M. Schwab, MD
Director

Hilde Hermansen Steineger, PhD
Director

Eduardo Bravo
CEO

Consolidated statement of changes in equity – Group

For the year ended December 31st

GROUP (Amounts in NOK 1 000)	Note	Share capital	Share premium	Equity-settled share-based payments	Accumulated losses	Translation effects	Remeasurement gains (losses)	Total equity
Balance at 01.01.2017		**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						86	**-1 839**	-1 753
Total comprehensive income for the year					**-293 814**	**86**	**-1 839**	**-295 567**
Recognition of share based payments - options	3.2			23 428				23 428
Recognition of share based payments - RSUs	3.1			1 297				1 297
Issue of ordinary shares under share options and RSUs	5.5	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**
Loss for the year					-337 772			-337 772
Other comprehensive income (loss) for the year, net of income tax						369	633	1 002
Total comprehensive income for the year					**-337 772**	**369**	**633**	**-336 770**
Recognition of share based payments - options and PSUs	3.2, 6.3			10 271				10 271
Recognition of share based payments - RSUs	3.1, 6.3			1 498				1 498
Issue of ordinary shares under share options and RSUs	5.5	77	8 599					8 676
Share issue costs			-96					-96
Reclassification of accumulated losses			-850 000		850 000			0
Balance at 31.12.2018		**9 886**	**593 399**	**56 320**	**-295 209**	**3**	**-1 206**	**363 193**

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

Consolidated statement of changes in equity – Parent

For the year ended December 31st

PARENT (Amounts in NOK 1 000)	Note	Share capital	Share premium	Equity-settled share based payments	Accumulated losses	Total equity
Balance at 01.01.2017		**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 and PSUs	3.2			7 398		7 398
Recognition of share based payments - RSUs	3.1			1 297		1 297
Issue of ordinary shares under share options and RSUs	5.5	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**
Loss for the year					-340 313	-340 313
Other comprehensive income (loss) for the year, net of income tax						0
Total comprehensive income for the year					**-340 313**	**-340 313**
Recognition of share based payments - options	3.2, 6.3			5 508		5 508
Recognition of share based payments - RSUs	3.1, 6.3			1 498		1 498
Issue of ordinary shares under share options and RSUs	5.5	77	8 599			8 676
Share issue costs			-96			-96
Reclassification of accumulated losses			-850 000		850 000	0
Balance at 31.12.2018		**9 886**	**593 399**	**24 639**	**-269 993**	**357 931**

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

Consolidated statement of cash flows

For the year ended December 31st

PARENT 2017	PARENT 2018	(Amounts in NOK 1 000)	Note	GROUP 2018	GROUP 2017
		Cash flows from operating activities			
-278 922	**-340 278**	**Loss before income tax**		**-336 972**	-293 433
		Adjustments for:			
-5 846	**-4 570**	Interest received	5.6	**-4 570**	-5 846
7 398	**5 508**	Share based payment expense employees	3.2, 6.3	**10 271**	23 428
1 297	**1 498**	Share based payment expense restricted share units (RSUs)	3.1, 6.3	**1 498**	1 297
0	**-11**	Taxes paid	7.1	**-487**	-291
1 483	**2 252**	Depreciation	4.1	**2 252**	1 483
-17 086	**866**	Currency (gains) losses not related to operating activities (unrealised)	5.6	**866**	-17 086
41 738	**1 414**	Change in net working capital e.g.		**515**	41 018
-249 938	**-333 321**	**Net cash flows from operating activities**		**-326 627**	-249 430
		Cash flows from investing activities			
-2 513	**-2 159**	Investment in property plant and equipment	4.1	**-2 159**	-2 513
5 846	**4 570**	Interest received	5.6	**4 570**	5 846
3 333	**2 411**	**Net cash flows from investing activities**		**2 411**	3 333
		Cash flows from financing activities			
1 627	**8 676**	Gross proceeds from equity issue	5.5	**8 676**	1 627
-34 262	**-96**	Share issue cost		**-96**	-34 262
-32 635	**8 580**	**Net cash flows from financing activities**		**8 580**	-32 635
17 086	**-866**	Effects of exchange rate changes on cash and cash equivalents	5.6	**-866**	17 086
-262 154	**-323 196**	Net change in bank deposits, cash and equivalents		**-316 502**	-261 646
1 012 975	**750 821**	Cash and equivalents at beginning of year		**756 571**	1 018 217
750 821	**427 625**	**Cash and equivalents at end of year**	5.3	**440 069**	756 571

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

Section 1 - Background

1.1. CORPORATE 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 aspires to become a leader in the field of targeted 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, has a highly differentiated, competitive, clinical profile for R/R FL, based on the promising results from the LYMRIT 37-01 Phase 1/2 clinical study. The company’s pivotal Phase 2b PARADIGME trial with a once-only administration of Betalutin® in 3L R/R FL is underway with the initial clinical data read-out targeted for 1H 2020 and subsequent filing in 2020 for marketing approval.

Nordic Nanovector intends to maximise the value of Betalutin® and other CD37-targeting opportunities across other stages of FL, NHL and other haematological cancer indications.

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.

These financial statements were approved for issue by the board of directors on March 29th, 2019.

Section 2 - General 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.

2.1. BASIS FOR 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, 2018 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 2.4. The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

2.2. CONSOLIDATION PRINCIPLES

The group's consolidated financial statements comprise the parent company and its subsidiaries as of December 31st, 2018. 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.
- 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 reassesses 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.

2.3. 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).

2.4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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. See note 7.1.

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. Calculation of fair value involves estimates and assumptions. 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 equity instruments 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 6.3.

Section 3 - Operating activities

3.1. OTHER OPERATING EXPENSES

Accounting Policy
Other operating expenses are recognised in the statement of profit and loss in the period which the related costs are incurred or services are provided. For additional information on calculation of costs related to share based payments as RSUs see note 6.3 and 6.3.2.

PARENT				GROUP	
2017	2018	(Amounts in NOK 1 000)	Note	2018	2017
183 909	**213 981**	Research and development costs	3.5	**222 274**	188 156
-11 691	**-9 308**	Government grants	3.3	**-9 308**	-11 691
1 297	**1 498**	Cost of share based payment (RSUs)	6.3	**1 498**	1 297
32 389	**56 769**	Charges from group companies	8.2	**0**	0
51 662	**37 622**	Other administrative costs		**44 089**	56 970
257 566	**300 562**	**Total other operating expenses**		**258 553**	234 732

3.2. PAYROLL AND RELATED EXPENSES

Accounting Policy
Payroll and related expenses are recognised in the statement of profit and loss in the period which the related costs are incurred or services are provided. For additional information on calculation of costs related to share based payments as options and PSUs see note 6.3, 6.3.1 and 6.3.3.

PARENT				GROUP	
2017	2018	(Amounts in NOK 1 000)	Note	2018	2017
29 901	**31 530**	Salaries	6.2, 6.3	**62 180**	46 563
5 314	**5 870**	Social security tax		**10 603**	6 593
1 643	**2 117**	Pension expense	6.5	**3 424**	4 317
7 398	**5 508**	Share based payment employees	6.3	**10 271**	23 428
-723	**-3 034**	Change in accrued employer's social security on share based payment	6.3	**-6 971**	-1 008
2 121	**1 269**	Other		**2 203**	3 248
-2 532	**-2 502**	Government grants	3.3	**-2 502**	-2 532
43 122	**40 758**	**Total payroll and related expenses**		**79 208**	80 609
25.9	**29.6**	**Average number of full-time equivalent employees**		**37.8**	31.4

3.3. GOVERNMENT GRANTS

Accounting policy

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.

PARENT				GROUP	
2017	2018	(Amounts in NOK 1 000)	Note	2018	2017
		Government grants have been recognised in the statement of profit or loss as a reduction for the related expenses with the following amounts:			
2 532	**2 502**	Payroll and related expenses	3.2	**2 502**	2 532
11 691	**9 308**	Other operating expenses	3.1	**9 308**	11 691
14 223	**11 810**	**Total**		**11 810**	14 223
		Grants receivable are detailed as follows:			
1 666	**167**	Grants from the Research Council BIA		**167**	1 666
240	**246**	Grants from the Research Council PhD		**246**	240
7 444	**7 414**	Grants from SkatteFUNN		**7 414**	7 444
9 350	**7 827**	**Total 31.12**	3.4	**7 827**	9 350

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 August 2019. 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 and eight months. For the financial period ended December 31th, 2018, the company has recognised NOK 3.5 million (as of December 31st, 2017: NOK 5.0 million) classified partly as a reduction of payroll and related expenses, and partly as a reduction of other operating expenses.

2) R&D projects have been approved for SkatteFUNN grants for the period 2017 through 2020. For the financial period ended December 31st, 2018, the company has recognised NOK 7.5 million compared to NOK 7.4 million for the same period in 2017. The amount was recognised partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.

3) In 2016, 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, 2018, the company recognised NOK 0.7 million (December 31st, 2017: NOK 0.7 million) as a reduction of payroll and related expenses, and partly as a reduction of other operating expenses.

4) The Research Council Eurostars awarded a grant supporting a collaboration research agreement with Affibody AB for the period 2014 through 2017 of NOK 4.0 million in total. For the financial period ended December 31st, 2017, the company recognised NOK 1.0 million partly as a reduction of payroll and related expenses, and partly as a reduction of other operating expenses. The company has decided to discontinue the Affilutin project considering the current challenging market landscape in multiple myeloma, and concentrated efforts and resources on other leading discovery projects.

3.4. OTHER CURRENT RECEIVABLES AND PREPAYMENTS

Accounting Policy

In determining the recoverability of other receivable, the company performs a risk analysis considering the type and the age of the outstanding receivable and the creditworthiness of the counterparties.

PARENT				GROUP	
2017	2018	(Amounts in NOK 1 000)	Note	2018	2017
9 350	**7 827**	Government grants	3.3	**7 827**	9 350
3 976	**4 127**	Refundable VAT		**4 839**	4 329
2 804	**12 122**	Prepaid expenses		**12 508**	3 383
1 344	**1 345**	Rental deposits		**1 713**	1 770
80	**0**	Account receivables		**0**	80
611	**826**	Other receivables		**2 548**	814
18 165	**26 247**	**Other current receivables and prepayments 31.12**		**29 435**	19 726

3.5. RESEARCH AND DEVELOPMENT EXPENSES

Accounting Policy

The group's products are still in the research and development phase, and there is no revenue from sales of products yet. In 2017 revenue arised from services related to incubator services, rent out of employees and income from sublease of laboratory space, instruments and services shared with other companies.

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.
- 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.

Research and development expenses are presented gross, before deduction of government grants. Total cost does not include depreciation or cost related to share based payments.

Research and development expenses

Cost related to research and development is expensed. During the financial year 2018 expenses for research and development was NOK 259.7 million whereas, NOK 222.3 million is classified as other operating expenses and NOK 37.4 million is classified as payroll. In 2017 the research and development expenses was NOK 220.3 million whereas NOK 188.2 million and NOK 32.1 million was classified as other operating expenses and payroll respectively. See note 3.3 for more information about government grants.

3.6. OTHER CURRENT LIABILITIES

Accounting policy

Other liabilities 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.

PARENT			GROUP	
2017	2018	(Amounts in NOK 1 000)	2018	2017
2 938	**2 832**	Unpaid duties and charges	**7 022**	3 302
2 800	**3 133**	Unpaid vacation pay	**3 305**	2 800
6 571	**3 537**	Accrued social security costs related to outstanding non exercised options, PSUs and RSUs	**5 869**	12 840
43 094	**44 330**	Other accrued costs	**55 982**	48 512
55 403	**53 832**	**Other current liabilities 31.12**	**72 178**	67 454

Social security contributions on share options

The provision for social security contributions on share options and PSUs and RSUs are calculated based on the number of options and PSUs 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, 2018 of NOK 51.00 per share (2017: NOK 81 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, 2018 are mainly related to development cost of the lead product candidate Betalutin®, which are now in three clinical trials. Several contracts with CMOs (contract manufacturing organisations) have elements of milestone based payments. The company makes accruals towards the achievement of these milestones.

3.7. AUDITOR'S FEE

Accounting Policy

Auditors fee is expensed are recognised in the statement of profit and loss in the period which the related costs are incurred or services are provided. Amounts are presented exclusive of VAT.

Fees to auditors for the year ended December 31st:

PARENT			GROUP	
2017	2018	(Amounts in NOK 1 000)	2018	2017
250	**270**	Audit fee	**475**	500
515	**247**	Audit related work	**247**	515
204	**594**	Tax services	**594**	204
969	**1 111**	**Total**	**1 316**	1 219

Audit fee in the table above is the agreed audit fee for the accounting year and does not necessarily correspond to actual expensed audit fee for the period as some of the services performed incurred after year-end.

In 2018 audit fees and non-audit services to auditors other than the group auditor was NOK 0.04 million and NOK 0.13 million respectively (2017: NOK 0.04 million and NOK 0.09 million respectively).

3.8. SEGMENTS

Accounting Policy

The group's leading product 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. The group has thus only one operating segment.

In the tables below assets and liabilities are broken down by geographical areas based on the location of the companies:

As per December 31st, 2018

(Amounts in NOK 1 000)	Norway	Switzerland	United Kingdom
Assets			
Non-current assets	4 082	0	0
Current receivables	26 247	1 640	1 548
Cash and cash equivalents	427 625	10 201	2 243
Liabilities			
Total non-current liabilites	0	3 371	0
Total current liabilites	88 288	9 496	9 238

As per December 31st, 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 non-current liabilites	0	3 619	0
Total current liabilites	90 092	5 557	1 589

Section 4 - Asset base

4.1. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

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 projects. This has been taken into account when determining the estimated useful life of the individual assets.

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.

PARENT (Amounts in NOK 1 000)	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
Additions in the year	584		957	146	472	2 159
Disposals in the year						0
Cost at 31.12.2018	**3 447**	**752**	**2 449**	**3 910**	**1 391**	**11 949**
Accumulated depreciations 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
Depreciations in the year	545	24	423	900	360	2 252
Accumulated depreciation at 31.12.2018	**1 671**	**752**	**1 655**	**2 995**	**795**	**7 868**
Net carrying amount at 31.12.2017	1 737	24	260	1 669	484	4 174
Net carrying amount at 31.12.2018	**1 777**	**0**	**794**	**915**	**596**	**4 082**
Estimated useful life	3-5 years	3 years	2-3 years	3-5 years	3-5 years	
Depreciation method	straight-line	straight-line	straight-line	straight-line	straight-line	

4.2. LEASING

Accounting Policy

The group has not entered into any financial lease arrangements. 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.

Contracts classified as operating leases

The parent rents premises in Oslo for office and laboratory purposes under a rental agreement with pertaining amendments, which covers 1 075 square meters on the fourth floor, 350 square meters on the third floor. The rent is approximately NOK 2.1 million per annum. The company will in addition to this amount be charged for a proportionate share of common variable costs related to building management. The lease of the 1 075 square meters expires on December 31st, 2019 and according to a separate amendment the lease of the 350 square meters also expires on December 31st, 2019. The company has the right to extend the rental agreement with three years, and the rental agreement may not be terminated during the rental period.

The group rents office premises in Zug, Switzerland and Copenhagen, Denmark.

Rental of office space	Expiry date
Third floor office/laboratory space and basement storage, Oslo, Norway[1)]	31.12.2019
Fourth floor office space, Oslo, Norway[1)]	31.12.2019
Office space Zug, Switzerland	30.04.2020
Office space Copenhagen, Denmark	31.01.2019

1) In 2019 the lease agreement has been extended by three years, and expires on December 31st, 2022.

Future minimum rental payable under non-cancellable operating leases as of December 31st, 2018.

PARENT 2017	PARENT 2018	(Amounts in NOK 1 000)	GROUP 2018	GROUP 2017
2 070	**2 003**	Within 1 year	**3 508**	4 336
2 020	**36**	Within 1-5 years	**472**	2 544
0	**0**	Over 5 years	**0**	0
4 090	**2 039**	**Total**	**3 980**	6 880

Minimum lease payments recognised as an operating lease expense:

2017	2018	(Amounts in NOK 1 000)	2018	2017
2 070	**2 186**	Within 1 year	**4 251**	4 336

See note 9.2. regarding the implementation effects of IFRS 16 on leasing agreements.

Section 5 - Financial instruments, capital structure and equity

5.1. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Nordic Nanovector is currently in a development phase involving activities which entail exposure to various risks. Nordic Nanovector's strategy is to continuously identify, minimize and mitigate potential risks and risk assessment and management is an integral part of Nordic Nanovector's operations.

Operational and market risks

- Betalutin® is currently in 3 clinical trials ranging from Phase 1 to 2b for treatment of relapsed NHL. This is in an early stage of development and the company's clinical studies may prove not to be successful. The development of pharmaceuticals involves significant risk, and failure may occur at any stage during development and after marketing approvals have been received, due to safety or clinical efficacy issues. Moreover, the commencement and completion of clinical trials may be delayed by several factors, including but not limited to unforeseen safety issues, issues related to determination of dose, lack of effectiveness during clinical trials, slower than expected patient enrolment in clinical trials, unforeseen requirements from the regulatory agencies related to the conduct of clinical trials, violation by medical investigators of clinical protocols and termination of license agreements necessary to complete trials.

- The company will need approvals from the FDA to market Betalutin® in the USA, and from EMA and European country specific approvals to market in Europe, as well as equivalent regulatory authorities in other foreign jurisdictions to commercialise in those regions. No assurance can be given with respect to obtaining such approvals or the timing thereof.

- Delays or failures on obtaining sufficient clinical supplies of Betalutin® for use in trials, due to failures in one or more steps of the manufacturing process and/or improper shipment/handling/delivery of Betalutin® by the contract manufacturing organisations (CMOs) to the clinical trial sites. Manufacturing process validation necessary for regulatory approvals may fail.

- Product manufacturing and quality issues may result in a potential shortage of supplies.

- In order to execute the clinical programmes, prepare for filing and launch the products, the company will require new capital in the future. Adequate sources of capital funding may not be available when needed or may not be available on favourable terms.

- Changes in the healthcare environment and reimbursement policy in both EU and the US may impact Nordic Nanovector's ability to charge the desired price to enable a profitable commercialisation, and/or result in more significant reimbursement restrictions for Betalutin®.

- The company operates in a highly competitive industry and the competitive landscape in NHL is becoming more and more crowded. Development by others may render the product candidates or technologies obsolete or non-competitive. The company's drug Betalutin® is a radiopharmaceutical product, and as such it can only be prescribed and administered by an authorised user, e.g. a nuclear medicine or a radiation oncology specialist, while patients with NHL are treated by haematologists and oncologists, and this may potentially represent a barrier that may affect market acceptance. Many of the company's current and potential competitors have access to greater capital resources, research and development organisations, regulatory and operational experience, manufacturing facilities and commercialisation infrastructure. As a result, Betalutin®'s regulatory label, reimbursed price and market uptake may be impacted.

- The company relies upon third-party suppliers, most importantly for clinical trial execution and manufacturing of drug supply. There is a risk that the company cannot enter into or maintain satisfactory agreements with third-party suppliers, like CROs for the conduct of clinical trials or CMOs for the production of drug supply. The company's failure to enter into such agreements or the poor performance of third-party suppliers could have a material effect on the business, financial condition and results of operations.

- The company's business involves use of hazardous materials, chemical, biological and radioactive compounds and is thus exposed to environmental risks. The company believes that its safety procedures comply with the state-of-art standards; however, there will always be a risk of accidental contamination or injury.

- The company has not experienced any clinical trial liability claims to date, but it may experience such claims in the future. The company currently maintains clinical trial liability insurance, but the existing program may not be sufficient to cover claims and such insurance may not be available in the future on acceptable terms, if at all.

- The success, competitive position and future revenues will depend in part on the company's ability to protect intellectual property and know-how. Competitors may claim that one or more of the company's product candidates infringe upon their patents or other intellectual property. Resolving a patent or other intellectual property infringement claim can be costly and time consuming and may require the company to enter into royalty or license agreements, and the company cannot guarantee that it would be possible to enter into such agreements on commercially advantageous terms or at all.

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 groups financial assets mainly consist of cash deposits placed in different banks with high credit ratings. The credit risk related to these assets are low and no impairment has been identified. The group is also exposed to credit risk associated with accounts receivable and other current receivables. The group has no revenues. The Nordic Nanovector group has not suffered any losses on receivables during 2018. Other current receivables are mainly related to grants from the government institution Research Council of Norway, and prepayments of services to suppliers. 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. In January 2019, Nordic Nanovector raised gross amount of NOK 222 million (USD 26 million) through the completion of a oversubscribed private placement followed by a repair issue, which raised gross amount of NOK 3.1 million (USD 0.3 million). More details on the transactions are included in note 9.1. Following these transactions, the current cash resources are expected to be sufficient to reach data read-out from PARADIGME in the first half of 2020. 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.

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 4.6 million (NOK 5.8 million) in interest income as of year-end.

Exchange rate risk

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 and continuously monitors the level of these funds. The parent's deposits in foreign currencies at year-end 2018 amounted to an equivalent of NOK 138.6 million (NOK 346.1 million).

The table below 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.

GROUP		Effect on profit/loss before tax (Amounts in NOK 1 000)	
Currency[1]	Change in exchange rate[2]	2018	2017
EUR	-10%	**1 192**	-13 029
	+10%	**-1 192**	13 029
GBP	-10%	**3 625**	-349
	+10%	**-3 625**	349
USD	-10%	**-335**	-2 556
	+10%	**335**	2 556
CHF	-10%	**3 073**	861
	+10%	**-3 073**	-861

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.

5.2. FINANCIAL INSTRUMENTS

Accounting policy

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". 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, the group's financial assets are categorised as financial assets at amortised cost. 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. The adoption of IFRS 9 has changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward looking expected credit loss (ECL) approach. IFRS 9 requires the group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

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.

GROUP		31.12.2018			31.12.2017		
		Financial assets at amortised costs	Other financial liabilities at fair value	TOTAL	Financial assets at amortised costs	Other financial liabilities at fair value	Total
Assets							
Trade and other receivables	3.4	29 435		29 435	29 435		29 435
Total financial assets		**29 435**		**29 435**	**29 435**		**29 435**
Liabilities							
Non-current interest bearing loans and borrowings	6.5		3 371	3 371		3 619	3 619
Accounts and other payables	5.4		107 022	107 022		97 238	97 238
Total financial liabilities			**110 393**	**110 393**		**100 857**	**100 857**

PARENT		31.12.2018			31.12.2017		
		Financial assets at amortised costs	Other financial liabilities at fair value	TOTAL	Financial assets at amortised costs	Other financial liabilities at fair value	Total
Assets							
Trade and other receivables	3.4	26 247		26 247	18 165		18 165
Total financial assets		**26 247**		**26 247**	**18 165**		**18 165**
Liabilities							
Non-current interest bearing loans and borrowings	6.5		0	0		0	0
Accounts and other payables	5.4		100 160	100 160		90 639	90 639
Total financial liabilities			**100 160**	**100 160**		**90 639**	**90 639**

5.3. CASH AND EQUIVALENTS

Accounting policy

Cash includes cash in hand and bank deposits. 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.

PARENT			GROUP	
2017	2018	(Amounts in NOK 1 000)	2018	2017
1 651	**1 528**	Employee withholding tax	**1 528**	1 651
10 000	**0**	Fixed rate bank deposit	**0**	10 000
739 170	**426 097**	Variable interests rate bank accounts	**438 541**	744 920
750 821	**427 625**	**Total cash and cash equivalents 31.12**	**440 069**	756 571

In the group, bank deposits related to office lease of NOK 1.8 million is classified as other current receivables (2017: NOK 1.8 million), hereof NOK 1.3 million is related to the parent in 2018 and 2017. Of the total balance of cash and cash equivalents, NOK 1.5 million (2017: NOK 1.7 million) relates to restricted funds for employee withholding taxes. The remainder of the group's cash is deposited in various banks on variable interests rate terms. In the group NOK 151 million are placed in bank accounts with a different currency than NOK as of December 31st, 2018. Of this total, NOK 138.6 million (2017: NOK 346.1) are placements in the parent.

5.4. CURRENT LIABILITIES

Accounting policy

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.

The table below summarises the maturity profile of the group's financial liabilities based on contractual undiscounted payments:

As per December 31st, 2018

GROUP (Amounts in NOK 1 000)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	2018
Accounts payables		34 040			34 040
Unpaid duties and charges		7 023			7 023
Unpaid vacation pay			3 305		3 305
Tax payable			804		804
Accrued social security expenses related to outstanding non exercised options, PSUs and RSUs*)	5 869				5 869
Other accrued costs		50 842	5 139		55 981
Total accounts payables and other current liabilities 31.12	**5 869**	**91 905**	**9 248**	**0**	**107 022**

As per December 31st, 2017

GROUP (Amounts in NOK 1 000)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	2017
Accounts payables		29 317			29 317
Unpaid duties and charges		3 302			3 302
Unpaid vacation pay		2 800			2 800
Tax payable			467		467
Accrued social security expenses related to outstanding non exercised options, PSUs and RSUs*)	12 840				12 840
Other accrued costs		35 461	13 051		48 512
Total accounts payables and other current liabilities 31.12	**12 840**	**70 880**	**13 518**	**0**	**97 238**

The tables below summarise the maturity profile of the parent's financial liabilities on contractual undiscounted payments:

As per December 31st, 2018

PARENT (Amounts in NOK 1 000)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	2018 Total
Accounts payables		32 092			32 092
Unpaid duties and charges		2 832			2 832
Unpaid vacation pay		3 133			3 133
Tax payable			35		35
Accrued social security expenses related to outstanding non exercised options, PSUs and RSUs*)	3 537				3 537
Current liabilities to group companies		14 201			14 201
Other accrued costs		39 191	5 139		44 330
Total accounts payables and other current liabilities 31.12	**3 537**	**94 582**	**5 174**	**0**	**100 160**

As per December 31st, 2017

PARENT (Amounts in NOK 1 000)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	2017 Total
Accounts payables		28 415			28 415
Unpaid duties and charges		2 938			2 938
Unpaid vacation pay		2 800			2 800
Tax payable			11		11
Accrued social security expenses related to outstanding non exercised options, PSUs and RSUs*)	6 571				6 571
Current liabilities to group companies		6 810			6 810
Other accrued costs		30 043	13 051		43 094
Total accounts payables and other current liabilities 31.12	**6 571**	**71 006**	**13 062**	**0**	**90 639**

**) Social security is payable when the equity instruments are exercised. See note 6.3 for additional information.*

5.5. SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital as at December 31st, 2018 is NOK 9 886 189 (December 31st, 2017: NOK 9 808 880), being 49 430 945 ordinary shares at a nominal value of NOK 0.20. All shares carry equal voting rights.

		PARENT	
(Amounts in 1 000 NOK)	Note	2018	2017
Ordinary shares at 01.01		**49 044 402**	48 974 618
Issue of ordinary shares under share options[1)]	6.3.3	**380 508**	56 525
Issue of ordinary shares under RSUs[2)]	6.3.2	**6 035**	13 259
Ordinary shares at 31.12		**49 430 945**	49 044 402

1) Participants in Nordic Nanovector ASA's second share option programme has during 2018 exercised a total number of 380 508 options (56 525) at an average exercise price of NOK 22.8 (NOK 25.85) per share. Each option gives the right to receive one share in the company. The board of directors of the company approved the exercise of the options and resolved to increase the company's share capital by NOK 76 101.6 through the issuance of 380 508 new shares, each at a nominal or par value of NOK 0.20.

2) In July, 2018, three of the board members of Nordic Nanovector ASA, Gisela Schwab, Joanna Horobin and Jean-Pierre Bizzari, resolved to settle a total number of 6 035 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 2017 after having elected to receive all or part of their remuneration for the period to the annual general meeting in 2018 in RSUs. The board of directors resolved to issue 6 035 new shares at a subscription price of NOK 0.20 per share giving a total subscription price of NOK 1 207.

The annual general meeting held in May, 2018, 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 programme.

The same general meeting resolved to issue up to 600 000 free-standing warrants to employees that were awarded Performance Stock Units (PSUs). Each free-standing warrent shall, subject to specific terms, give the right to subscribe for one new share in the company with nominal value NOK 0.20.

The extraordinary general meeting held in December 2017, resolved to issue up to 3 491 429 free standing warrents to current and former employees who have been awarded options under the company's previous option programme. The sole purpose of the free-standing warrents was to ensure delivery of shares in the company upon exercise of options. As at December 31st 2018 only 2 659 174 warrents related to granted options are exercisable and can be converted into shares.

Nordic Nanovector ASA had 8 276 shareholders as at December 31st, 2018

	Shareholders	Number of shares	Percentage of total shares
1	HealthCap VI L.P.	5 445 833	11,02%
2	Folketrygdfondet	2 896 506	5,86%
3	OM Holding AS	2 411 883	4,88%
4	Nordnet Livsforsikring AS	1 423 259	2,88%
5	State Street Bank and Trust Comp	1 128 867	2,28%
6	Linux Solutions Norge AS	845 071	1,71%
7	Sciencons AS (Roy Hartvig Larsen)	720 000	1,46%
8	Radiumhospitalets Forskningsstiftelse	689 518	1,39%
9	Must Invest AS	625 000	1,26%
10	Inven2 AS	541 247	1,09%
11	VPF Nordea Avkastning	508 251	1,03%
12	Roy Hartvig Larsen	454 801	0,92%
13	Ro Invest AS	450 000	0,91%
14	Birk Venture AS	425 000	0,86%
15	JP Morgan Securities PLC	419 712	0,85%
16	VPF Nordea Kapital	367 807	0,85%
17	KLP Aksje Norge	300 000	0,61%
18	Statoil Pensjon	277 701	0,57%
19	Nordnet Bank AB	264 683	0,54%
20	Citibank, N.A	247 636	0,50%
	Total shares for top 20 shareholders	20 442 775	41,36%
	Total shares for other 8 256 shareholders	28 988 170	58,64%
	Total shares (8 276 shareholders)	**49 430 945**	**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 8 258 shareholders as of December 31st, 2017 to 8 276 shareholders as of December 31st, 2018.

5.6. FINANCE INCOME AND FINANCE EXPENSES

Accounting policy

The group and parent company's finance income largely relates to interest received on bank deposits. Net currency gain or loss related to operating items includes gain or losses on accounts payable and accounts receivable.

PARENT 2017	PARENT 2018	(Amounts in NOK 1 000)	Note	GROUP 2018	GROUP 2017
		Finance income			
15	**18**	Interest income on tax repaid		**18**	15
5 831	**4 543**	Interest income on bank deposits	5.3	**4 558**	5 845
11	**9**	Other finance income		**8**	39
5 857	**4 570**	**Total finance income**		**4 584**	5 899
		Finance expense			
10	**1**	Other fees, charges		**2**	10
10	**1**	**Total finance expense**		**2**	10
		Net currency gain (loss)			
14	**-409**	Net currency gain related to operating items		**-675**	114
17 086	**-866**	Net currency gain (loss) related to foreign exchange differences on currency bank accounts		**-866**	17 086
17 100	**-1 275**	**Total finance expense**		**-1 541**	17 200
22 947	**3 294**	**Net finance income (expenses)**		**3 041**	23 089

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

PARENT 2017	PARENT 2018	(Amounts in NOK 1 000)	Note	GROUP 2018	GROUP 2017
18 860	**-1 656**	EUR	5.3	**-1 656**	18 860
-3 076	**1 395**	USD	5.3	**1 395**	-3 076
-135	**-93**	CHF	5.3	**-93**	-135
1 437	**-512**	GBP	5.3	**-512**	1 437
17 086	**-866**	**Net currency gain (loss)**		**-866**	17 086

5.7. EARNINGS PER SHARE (EPS)

Accounting policy

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. 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.

The calculation of basic and diluted earnings per share attributable to the ordinary shareholders of the parent is based on the data presented in the table below:

PARENT				GROUP	
2017	2018	(Amounts in NOK, except number of shares)	Note	2018	2017
-278 933 000	**-340 313 000**	Loss for the year		**-337 772 000**	-293 814 000
49 030 654	**49 114 764**	Average number of outstanding shares during the year[1)]	5.5	**49 114 764**	49 030 654
-5,69	**-6,93**	**Earnings (loss) per share - basic and diluted (in NOK per share)**		**-6,88**	-5,99

1) The weighted number of shares takes into account the weighted average effect of changes in shares during the year.

Section 6 - Remuneration

6.1. REMUNERATION TO MANAGEMENT

Total remuneration to management during the year ended December 31st 2018:

(Amounts in NOK 1 000)	Salary[1)]	Pension expense	Other remuneration[2)]	Total
Eduardo Bravo, CEO (from July 2nd 2018)[4)]	4 231	54	896	5 181
Malene Brondberg, VP IR and CC[4)]	2 203	50	269	2 522
Rosemarie Corrigan, CQO[4)]	2 300	52	342	2 695
Jostein Dahle, CSO	1 920	72	75	2 067
Rita Dege, CHRO	1 582	72	15	1 669
Tone Kvåle, CFO	2 576	72	75	2 723
Marco Renoldi, COO[4)]	3 268	265	192	3 725
Lisa Rojkjaer, CMO[4)]	3 206	208	173	3 587
Luigi Costa, former CEO (until April 4th 2018)[3) 4)]	2 497	206	4 740	7 443
Total management remuneration	**23 784**	**1 051**	**6 776**	**31 612**

1) Salary includes holiday pay if applicable and accrued performance bonus for 2018.
2) Other remuneration includes; insurance, car allowance (if relevant), healthcare allowance (if relevant), representation allowance (if relevant) and other.
3) On April 4th 2018, the company announced that Luigi Costa stepped down as chief executive officer by mutual agreement with the board of directors. Mr Costa was entitled to 15 months pay and accrued target performance bonus up until the date of notice of termination of employment.
4) The average exchange rate in 2018 for CHF/NOK (8.32) and GBP/NOK (10.85) has been used to convert salaries in other currency than NOK.

Total remuneration paid in cash to the members of the management was NOK 31.6 million in 2018 (2017: 21.7 million). In addition, management has been granted options at various exercise prices and PSUs which are disclosed in this note. The calculated cost of these options and PSUs are NOK 7.5 million in 2018 and NOK 19.8 million in 2017. These costs have been calculated in accordance with IFRS 2 and recognised as payroll and related expenses (see note 3.2). For more information about calculation of fair value of share based payments see note 6.3. The actual benefit related to options and PSUs are dependent on the share price at time of exercise and the exercise price and may be different than estimated for the calculation of costs associated.

Benefits upon termination

In the event of termination of agreement the CEO is entitled to 6 months' pay. In the event of termination of the employment agreement, for reasons directly related to change of control; and no later than 12 months subsequent to the change of control, the CEO is entitled to a total of 12 months' salary. 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. CFO Tone Kvåle, is entitled to 6 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 2017:

(Amounts in NOK 1 000)	Salary[1)]	Pension expense	Other remuneration[2)]	Total
Luigi Costa, CEO[4)]	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 holiday pay if applicable and accrued performance bonus for 2017.

2) Other remuneration includes; 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) The average exchange rate in 2017 for CHF/NOK (8.40) and GBP/NOK (10.65) has been used to convert salaries in other currency than NOK.

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

Name	Current position within the company	Employed with the company since	Number of shares 2017[1)]	Number of shares 2018[1)]	Number of shares 29 March 2019[1)]
Eduardo Bravo	Chief Excecutive Officer	July 2018	0	**4 200**	25 874
Malene Brondberg	Vice President Investor Relations and Corporate Communications	February 2018	0	**0**	5 555
Rosemarie Corrigan	Chief Quality Officer	December 2017	0	**0**	0
Jostein Dahle	Chief Scientific Officer	January 2011	204 958	**204 958**	204 958
Rita Dege	Chief Human Resources Officer	June 2015	4 754	**4 754**	4 754
Tone Kvåle	Chief Financial Officer	November 2012	179 608	**179 608**	186 275
Marco Renoldi	Chief Operating Officer	November 2014	74 000	**74 000**	74 000
Lisa Rojkjaer	Chief Medical Officer	November 2016	4 186	**4 186**	4 186
Total shares owned by management			467 506	**471 706**	505 602

1) Including shares held by related parties.

Options held by members of the management group:

Outstanding options Option holder	2014	2015	2016	2017	Outstanding as of 31.12.2018
Eduardo Bravo, CEO					0
Malene Brondberg, VP IR and CC					0
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
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	**278 137**	**297 000**	**510 000**	**286 000**	**1 371 137**

Exercise price of outstanding options Option holder	2014	2015	2016	2017
Jostein Dahle, CSO		28	14.24	90.37
Rita Dege, CHRO		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	

See note 6.3.3 for more information on the option programme.

PSUs held by members of the management group:

Outstanding PSUs PSU holder	Granted 2018	Outstanding as of 31.12.2018	Granted 31.01.2019	Outstanding as of 29.03.2019
Eduardo Bravo, CEO	250 000	**250 000**	50 000	**300 000**
Malene Brondberg, VP IR & CC	20 000	**20 000**	20 000	**40 000**
Rosemarie Corrigan, CQO	20 000	**20 000**	20 000	**40 000**
Jostein Dahle, CSO	12 000	**12 000**	20 000	**32 000**
Rita Dege, CHRO	6 500	**6 500**	20 000	**26 500**
Tone Kvåle, CFO	20 000	**20 000**	25 000	**45 000**
Marco Renoldi, COO	25 000	**25 000**	25 000	**50 000**
Lisa Rojkjaer, CMO	25 000	**25 000**	25 000	**50 000**
Total	378 500	**378 500**	205 000	**583 500**

See note 9.1 for more information on the PSUs granted in January 31st , 2019.

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

INTRODUCTION

This compensation report summarises 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.

This statement will be subject to a vote at the company's 2019 AGM and has been prepared in accordance with section 6-16a of the Norwegian Public Limited Companies Act.

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.

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 competes for talent when making compensation decisions as further described in the compensation report and guidelines on page 18 of this annual report.

COMPENSATION POLICY FOR EACH ELEMENT

Based on the compensation policy described earlier, Nordic Nanovector's performance-based compensation programme primarily consists of three components:

- base salary
- short term cash bonus
- 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.

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 to 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 2018, 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.

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. Percentages shown below could be earned for achieving the target and stretch objectives. This policy will continue to apply for 2019.

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 provide 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 (EIP) was firstly approved at the extraordinary general meeting on December 20th, 2017 (2017 EGM). The company's annual general meeting on May 30th, 2018 (2018 AGM) approved a continuation of the EIP. The board of directors proposes a continuation of the EIP with some amendments as further described in this report.

Eligibility

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 replaces the company's option programme, which was approved by the company's annual general meetings in 2014, 2015 and 2016 (the option programme). No further options will be granted under the option programme. The options already issued remain valid with existing terms, and will not be affected by the EIP. For further information about the option programme, see note 6.3.3 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 predefined 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 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 programme 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 programme unless it contains a double trigger clause.

The board of directors is proposing that the 2019 AGM approves a continuation of the EIP with the following amendment to the general terms of the EIP with effect for PSUs granted following the 2019 AGM:

In the event that the PSU holder is dismissed or a severance agreement is entered into more than 12 months after the date of grant of the PSUs, due to circumstances related to the company, and there being at that time no circumstances related to the PSU holder that might give reason for justifiable dismissal or lawful summary dismissal, the PSU holder shall have the right to retain a portion of any unvested PSUs allocated under the PSU agreements. The PSU holder shall have a right to retain a number of the unvested PSUs that shall correspond to 1/3 of the PSUs granted under the PSU agreement plus an additional 1/24 of the remaining PSUs each month thereafter until the date of receipt of the notice of dismissal or the date the severance agreement is signed, with the first 1/24 earned 13 months after the grant date. Under the current terms of the EIP all unvested PSUs will laps unless the board of directors decide otherwise.

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 that was employed prior to January 1st, 2018 is expected to satisfy his or her applicable level of share ownership within five years calculated from January 1st, 2018, and within five years calculated from the date of employment for other members of the management team.

Current authorisation
The 2018 AGM approved a continuation of the EIP and authorised the board of directors to grant up to 600 000 PSUs during the period from the 2018 AGM to the 2019 AGM. Pursuant to the authorisation granted at the 2017 and 2018 AGMs the board of directors has granted 720 250 PSUs which are secured by a corresponding number of free-standing warrants as further described in note 6.3.1 to the annual accounts of Nordic Nanovector ASA. The total number of outstanding options and PSUs are now 2 439 908 and 720 250 (out of 1 100 000) respectively. Subject to all vesting conditions being fulfilled exercise of the options and PSUs would create a 5.4 per cent dilution of the outstanding shares on a fully diluted basis.

New authorisation for the period
As set out in the statement the board of directors proposes that the shareholders at the 2019 AGM authorise the board of directors to grant up to 800 000 PSUs under the EIP (on the amended terms) during the period from the 2019 AGM until the annual general meeting in 2020 (period). 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 1.4 per cent 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 2019 AGM.

The board of directors further proposes that the shareholders at the 2019 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 in the UK 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.

Nordic Nanovector DK in Denmark contributes with up to 8 per cent of the annual salary to the pension insurance scheme.

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, the CEO is entitled to 6 months' pay. In the event of termination of the employment agreement, for reasons directly related to a change of control; and no later than 12 months subsequent to the change of control, the CEO is entitled to a total of 12 months' salary. 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 6 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.

6.3. SHARE BASED INCENTIVE PROGRAMME

Accounting Policy - Share based payments
The company operates equity-settled, share based compensation plans, under which the entity receives services from employees and board directors and as consideration the employees or board members receives an equity instruments (options, performance stock 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 equity instrument are 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 the fair value of the instrument granted excluding the impact of any non-market service and performance vesting conditions. The grant date fair value of the instrument granted is recognised as an expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the equity instrument (vesting period). 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 equity instruments 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 equity instrument 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 programme. The social security is accrued until the award is exercised/released. The social security is accrued over the corresponding vesting period.

6.3.1. PERFORMANCE SHARE UNITS (PSUs)

Accounting Policy

The fair value of the granted PSU with market condition is measured using the Monte-Carlo model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, vesting period, expected dividends, the risk-free interest rate and the share price appreciation condition. The expected volatility is calculated based on the historic data of the Nordic Nanovector share price that corresponds to the expected life of the PSU. Monte-Carlo model simulates future share prices in the risk-neutral framework, which results in simulated payoff of PSU. The average discounted simulated payoff across simulations is the calculated Fair Value of one PSU with market condition.

Overview

The extraordinary general meeting held on December 20th, 2017 approved the company's new share based incentive programme and authorised the board of directors to grant up to 500 000 PSUs (Performance Stock Unit's) to the company's employees from the date of the EGM 2017 to annual general meeting 2018. The annual general meeting on May 30th, 2018 approved to continue the company's share based incentive programme and authorised the board of directors to grant up to 600 000 PSUs from the date of the Annual general meeting in 2018 to the annual general meeting in 2019. During 2018, 501 550 PSUs have been granted, hereof 461 250 are outstanding as of December 31st, 2018. The board of directors decided to grant 259 000 PSUs on January 31st, 2019 (see section 9.1 for details). In accordance with the resolution at the EGM in December 2017 and AGM in May 2018, 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. See note 6.2 for more information.

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.

Overview of outstanding PSUs:

The number of PSUs and average exercise prices:	Number of PSUs	2018 Weighted average exercise price in NOK
Balance at 01.01	0	
Granted during the year	501 550	0,20
Exercised during the year	0	0,20
Forfeited	-40 300	0,20
Balance at 31.12	**461 250**	**0,20**
Hereof vested PSUs	0	0
Weighted average remaining years to vesting		2,34

Remaining contractual lifetime of outstanding performance stock units per December 31st, 2018:

	Number of PSUs	Exercise price in NOK
2 - 3 years	461 250	0,20
Total	**461 250**	**0,20**

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

	2018
Dividends (NOK)	0
Expected volatility (%)	63%-71%
Risk-free interest rate (%)	0,74%-1,32%
Vesting date	3 years

6.3.2. RESTRICTED STOCK UNITS (RSUs)

Accounting Policy

The fair value of the granted RSU without market condition is measured using the share price at grant date.

Overview

At the annual general meeting in 2018, 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 2018 to the annual general meeting in 2019, in the form of RSUs. 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 per cent 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 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.

Share based payment expenses related to RSUs are recognised in the income statement and disclosed in note 3.1.

Pursuant to the RSU programme, the board of directors received the number of RSUs for the 2018-2019 period and hold the total number of RSUs set out below:

As per December 31st, 2018

Name	Remuneration for the period 2018-2019 in NOK	Allocation between cash and RSUs	Number of RSUs for the period 2018-2019	Market price on grant date[3] in NOK	Number of RSUs exercised in 2018	Total number of RSUs outstanding[4]	Total number of shares
Ludvik Sandnes[1]	515 000	100% RSU	9 679	53,21	0	36 800	126 000
Rainer Boehm	305 000	2/3 RSU	3 571	53,21	0	3 571	0
Jean-Pierre Bizzari	325 000	1/3 RSU	2 036	53,21	982	2 036	4 509
Joanna Horobin	325 000	2/3 RSU	4 072	53,21	2 107	4 072	4 785
Per Samuelsson[2]	345 000					0	0
Gisela Schwab	305 000	100% RSU	5 732	53,21	2 946	5 732	10 000
Hilde Hermansen Steineger	345 000	2/3 RSU	4 322	53,21	0	15 533	750
Total			**29 412**		**6 035**	**67 744**	**146 044**

1) In the extraordinary general meeting on February 18th 2019, Ludvik Sandnes stepped down as chair of the board of directors. The remuneration for the period 2018-2019 will be adjusted pro rata, based on the number of days Ludvik Sandnes served as chair of the board. As a result 2 679 of the total 9 679 RSUs will be forfeited in Q1 2019. The remaining 7000 RSUs will vest on the date of the annual general assembly in 2019.

2) Per Samuelsson is not allowed to hold equity in the company due to his affiliation with HealthCap, and will only receive cash.

3) The market price is calculated as volume weighted average share price the 10 trading days prior to the grant date on May 30th, 2018.

4) In addition 647 RSUs are outstanding to former member of the board.

The number of outstanding RSUs	2018	2017
Balance at 01.01	45 014	44 328
Granted during the year	29 412	13 945
Exercised during the year	-6 035	-13 259
Forfeited	0	0
Balance at 31.12	**68 391**	**45 014**
Hereof vested RSUs	38 979	31 069

6.3.3. SHARE OPTION PROGRAMME

Accounting Policy

The fair value of the equity instrument 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 last grant of options historic volatility of the Nordic Nanovector share price did not provide sufficient historic data that corresponds to the expected life of the option. The expected volatility was therefore estimated based on the volatility of comparable listed companies. Risk free interest rates should be equal to the expected term of the option being valued. 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 programme.

Overview

The annual general meeting held on May 24th, 2017, voted down the proposed authorisation to increase the share capital in connection with the company's share option programme. As a consequence the share option programme was not continued and no options have been granted in 2018, but options granted under the programme 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 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, 2018 there were 2 659 174 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 quarterly results, unless the board of directors resolves otherwise. The options expire seven years from grant date. Share based payment expenses related to options and PSU's are recognised in the income statement and disclosed in note 3.2.

	2018		2017	
The number of employee share options and average exercise prices	Number of options	Weighted average exercise price in NOK	Number of options	Weighted average exercise price in NOK
Balance at 01.01	3 482 843	42,20	2 846 701	29,70
Granted during the year[1)]	0	0	719 500	90,37
Exercised during the year	-380 508	22,80	-71 439	28,38
Forfeited	-443 161	53,46	-11 919	48,47
Balance at 31.12	**2 659 174**	**43,09**	**3 482 843**	**42,20**
Hereof vested options	2 153 144	37,47	1 779 551	27,61

The table below shows input an assumptions that have been used for the calculation of fair value of options granted in 2017:

	2017
Dividends (NOK)	0
Expected volatility (%)	61%
Risk-free interest rate (%)	0,72% - 1,22%
Average expected life from grant date (years)	3,45

Remaining contractual lifetime of outstanding share options per December 31st, 2018:

	Number of options	Excercise price in NOK
2 - 3 years	917 766	26,75
3 - 4 years	612 600	28,48
4 - 5 years	623 018	43,16
5 - 6 years	505 790	90,37
Total	**2 659 174**	**37,47**

6.4. REMUNERATION TO THE BOARD OF DIRECTORS

The annual general meeting held on May 30th 2018 resolved the following remuneration to the board directors and nomination committee for the period from the annual general meeting May 30th 2018 until the annual general meeting in 2019 as shown in the table below.

(Amounts in NOK 1 000, exclusive of social security)	Board of directors	Audit committee[1)]	Compensation committee[1)]	Clinical strategy committee	Nomination committee
Chair	475	40	40	40	45
Directors	285	20	20	20	25

Members of the board committees, such as the audit committee, the compensation committee and the clinical strategy committee shall receive an additional remuneration of NOK 4 000 per committee meeting, but not less than NOK 20 000 for each committee member (NOK 8 000 per meeting and minimum 40 000 to the chair of each of the committees). In order to attract international board members, it was approved to pay board members EUR 100 per lost working hour when traveling to attend the board meetings.

At the annual general meeting in 2018, the shareholders approved the issuance of restricted stock units (RSUs) to board members who elect to receive all or parts of their remuneration, for the period from the annual general meeting in 2018 to the annual general meeting in 2019, in the form of RSUs. The board members election of RSUs as part of their remuneration is disclosed in note 6.3.2.

Remuneration and number of shares held by the board directors:

		2018		2017	
(Amounts in NOK 1 000, except number of shares)	Served since	Board fee and fees for committee work	Number of shares as of 31.12	Board fee and fees for committee work	Number of shares as of 31.12
Board of directors as of December 31st, 2018					
Jean-Pierre Bizzari[3)]	May 2016	325	5 563	275	3 527
Rainer Boehm[3)]	May 2018	305	0	0	0
Joanna Horobin[3) 4)]	October 2016	325	6 750	295	2 678
Per Samuelsson[2)]	November 2014	345	0	335	0
Gisela M. Schwab[3)]	March 2015	305	12 786	275	7 054
Hilde Hermansen Steineger[1)]	November 2014	345	750	335	750
Previous directors of the board and committees					
Ludvik Sandnes, previous chair[5)]	June 2013	372	126 000	515	126 000
Total		**2 525**	**151 849**	**2 030**	**140 009**

1) Hilde Steineger is also the chair of the audit committee and a member of the compensation committee.

2) Per Samuelson is also the chair of the compensation committee and member of the audit commitee.

3) Jean-Pierre Bizzari, Rainer Boehm, Joanna Horobin and Gisela Schwab also serves as a members of the clinical strategy committee. In 2017 the clinical strategy committee fee was invoiced as a consulting fee. The fee is not included in the amounts in the table above for 2017.

4) Joanna Horobin is also a member of the compensation committee.

5) Ludvik Sandnes has been a member of the audit- and compensation committee. In the extraordinary general meeting (EGM) on February 18th, 2019, Ludvik Sandnes stepped down as chair of the board of directors. The remuneration for the period 2018-2019 has been adjusted pro rata, based on the number of days Ludvik Sandnes served as chair of the board. As a result he will receive the equivalent of NOK 372 493 of the total fee of NOK 515 000, which corresponds to 7 000 RSUs (see disclosure 6.3.2 for details).

In the EGM on February 18th, 2019, Jan Hendrik Egberts was elected as new chair of the board until the 2019 annual general meeting. The new chair is a member of the audit- and compensation committee and will receive a pro rata fee for the period in cash. Please see note 9.1 for more information.

The aggregated remuneration for the board of directors recognised in 2018 was NOK 2.3 million (NOK 2.2 million), hereof NOK 0.8 mill in fees (NOK 0.9 million) and NOK 1.5 million (NOK 1.3 million) in costs related to share based payments (RSUs). Fee to the board of directors is classified as other operating expenses and includes fees for committee work.

6.5. PENSION

Accounting Policy

Defined contribution plans

The pension premiums related to defined contribution plans, are charged to expenses as they are incurred.

Defined benefit plans

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.

PARENT				GROUP	
2017	2018	(Amounts in NOK 1 000)	Note	2018	2017
1 643	**2 117**	Pension contributions		**2 312**	1 643
0	**0**	Defined benefits plan in Nordic Nanovector GmbH	3.2	**1 112**	2 674
1 643	**2 117**	**Total pension expense**		**3 424**	4 317

Defined contribution plan

The parent company has a defined contribution pension scheme that complies with the requirements of Norwegian occupational pension legislation (OTP). 30 employees are included in this scheme as of December 31st 2018 (2017: 30 employees). Nordic Nanovector Ltd a statutory pension scheme as required by the UK government, which has 4 active participants. Nordic Nanovector's Danish Branch has a defined contribution scheme with 2 active members.

Defined benefit plan

Nordic Nanovector's subsidiary in Switzerland has a pension scheme 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 4 active participants and 0 pensioners as at December 31st, 2018 (2017: 5 employees).

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 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 per cent 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 per cent 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)	01.01.2018	31.12.2017
Defined benefit obligation	**-18 840**	-17 260
Plan assets	**15 469**	13 641
Defined benefit (liability)	**-3 371**	-3 619

Assumptions	2018	2017
Discount rate	**0,60%**	0,60%
Interest credit rate	**0,60%**	0,60%
Annual salary increase	**2,50%**	2,00%
Actuarial tables	**BVG 2015**	BVG 2015
Turnover rates	**200% BVG 2015**	200% BVG 2015
Remeasurement gain (losses) on defined benefit plans	**633**	-1 839

Section 7 - Tax

7.1. INCOME TAX

Accounting policy

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. 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.

The company is in the research phase of its product development and has incurred significant tax losses related to its operations. The deferred tax asset has not been recognised in the statement of financial position, as the company does not consider that taxable income in the short term will sufficiently support the use of a deferred tax asset.

Income tax expense

PARENT			GROUP	
2017	2018	(Amounts in NOK 1 000)	2018	2017
-278 933	**-340 313**	Total comprehensive income (loss) for the period	**-336 770**	-295 567
8 827	**7 228**	Non-deductible expenses	**7 322**	8 827
-7 459	**-7 553**	Non-taxable income	**-7 553**	-7 459
-460	**-96**	Share issue costs	**-96**	-460
-883	**-2 528**	Change in temporary differences	**-2 527**	-883
-278 908	**-343 262**	**Basis for tax calculation**	**-339 624**	-295 542
11	**35**	**Tax expense**	**800**	381

PARENT			GROUP	
2017	2018	(Amounts in NOK 1 000)	2018	2017
-66 941	**-78 272**	Expected tax expense	**-77 521**	-66 571
2 130	**1 662**	Non-deductible expenses	**1 680**	2 130
-2 000	**-1 737**	Non-taxable income	**-1 737**	-2 000
-110	**-22**	Share issue costs	**-22**	-110
58 053	**66 289**	Change in deferred tax assets not recognised	**66 289**	58 053
8 879	**12 115**	Effect from changes in tax rate	**12 115**	8 879
11	**35**	**Income tax expense**	**804**	381

The corporate tax rate in Norway was 23 per cent in 2018 and 24 per cent in 2017. In Switzerland the tax rate in 2018 and 2017 was 14.5 per cent and 14.6 per cent respectively. In UK, tax rate was 19 per cent (20 per cent up till April 1st 2017).

Deferred tax assets

2017	2018	(Amounts in NOK 1 000)	2018	2017
861 110	**1 204 372**	Tax losses carried forward	**1 204 372**	861 110
6 193	**3 666**	Temporary differences	**3 666**	6 193
867 303	**1 208 038**	**Temporary differences and tax loss carry forward**	**1 208 038**	867 303
199 480	**265 768**	**Deferred tax assets - not recognised in statement of financial position**	**265 768**	199 480

As of January 1st, 2019 the tax rate in Norway was reduced to 22 per cent. Deferred tax assets as of December 31st, 2018 have been calculated using a tax rate of 22 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 1 204.4 million at December 31st, 2018. At December 31st, 2017 the total tax loss carried forward was NOK 861.1 million. The tax losses can be carried forward indefinitely.

The group nor the parent company has 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 2018 and 2017.

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.

Section 8 - Group structure

8.1. INFORMATION ABOUT SUBSIDIARIES

Accounting policy

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.

The consolidated financial statements of the group include:

(Amounts in NOK 1 000)			Equity of interest	
Name	Country of incorporation	Book value	2018	2017
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 of 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, 6301 Zug, Switzerland. Nordic Nanovector Ltd is incorporated in London, England, with its registered address at Paternoster House, 65 St. Paul's Churchyard, London EC4M 8AB, United Kingdom.

Nordic Nanovector also have operations in Denmark through Nordic Nanovector DK, a branch of Nordic Nanovector ASA . The branch was established in October 2017 and is reported as part of the parent.

8.2. TRANSACTIONS WITH RELATED PARTIES

Accounting policy

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Transactions and balances between companies which are a member of the group, have been eliminated in the consolidated accounts for the group.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

The company entered into the following transaction with related parties:	Note	Sales (included in revenue)		Purchases (included in other operating expenses)	
(Amounts in NOK 1 000)		2018	2017	2018	2017
Subsidiary - Nordic Nanovector GmbH	3.1	0	0	**30 859**	25 232
Subsidiary - Nordic Nanovector Ltd	3.1	0	0	**25 909**	7 258
Jean-Pierre Bizzari[1)]				**0**	20
Joanna Horobin[1)]				**0**	20
Gisela M. Schwab[1)]				**0**	20

1) Consultant fee for serving as a member of the clinical committee. In 2018, the fee to members of the clinical committee is included in the fee to the board of directors.

The following table provides overview of amounts owned to and by related parties for the relevant financial year:

	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)	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Subsidiary - Nordic Nanovector GmbH	0	0	**6 062**	4 455
Subsidiary - Nordic Nanovector Ltd	0	0	**8 139**	2 355

Section 9 - Other disclosures

9.1. EVENTS AFTER REPORTING DATE

Accounting policy

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.

Private placement

On January 25th, 2019 the company raised NOK 222 million in gross proceeds through a private placement of 4 943 094 new shares. The private placement was completed at a subscription price of NOK 45 per share, which was determined through an accelerated book-building process. Following registration of the new share capital pertaining to the private placement in the Norwegian Register of Business Enterprises, which took place on January 30th, 2019, the company has an issued share capital of NOK 10 874 807.80, divided into 54 374 039 shares, each with a par value of NOK 0.20.

Allocation of PSUs

The board of directors of Nordic Nanovector ASA decided on January 31st, 2019 to grant 259 000 performance share units (PSUs) to employees in accordance with the authorisation granted at the annual general meeting held on May 30th, 2018. The PSUs are granted without consideration. The PSUs are non-transferable and will vest three years after the date of grant subject to satisfaction of the applicable vesting conditions. Each vested PSUs 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.

Of the 259 000 allocated PSUs, 205 000 PSUs have been granted to members of the company's executive management, 28 000 PSUs have been granted to new employees and 26 000 PSUs have been granted to other current employees. The total number of outstanding options and PSUs are as of March 29th, 2019, 2 439 908 and 720 250 respectively. Subject to all vesting conditions being fulfilled exercise of the options and PSUs would create a 5.4 per cent dilution of the outstanding shares on a fully diluted basis.

Extraordinary general meeting

The extraordinary general meeting February 18th, 2019 approved the authorisation to the board of directors to increase the share capital with up to 777 777 shares with a par value of NOK 0.20 in connection with the repair offering as announced on January 25th, 2019, and the election of Dr Jan H. Egberts as new chair of the board of directors.

Share capital increase registered

On March 6th, 2019 the share capital of the company was increased by NOK 45 424.20 through issuance of 227 121 new shares, each with a nominal value of NOK 0.20, against payment of a total subscription price of NOK 5 005 424.20. The increase was as a result of the former chair of the company Ludvik Sandnes' exercise of 27 121 RSUs and an individual participant in the company previous share option programme, not being a primary insider, exercising a total number of 200 000 options through exercise of a corresponding number of warrants. Following the share capital increase the company has a share capital of NOK 10 920 232 divided on 54 601 160 shares, each with a nominal value of NOK 0.20.

Repair offering

By the expiry of the subscription period, March 6th, 2019, a total of 69 051 offer shares were subscribed for at a subscription price of NOK 45.00 and will be allocated to investors having subscribed for the offer shares. Following delivery of the offer shares, the share capital of the company will be NOK 10 934 042.20, divided on 54 670 211 shares each with a nominal value of NOK 0.20.

Share capital increase registered

An individual participant in Nordic Nanovector ASA's previous share option programme, not being a primary insider, exercised a total number of 17 392 options through exercise of a corresponding number of free-standing warrants. 14 374 of the options are exercised at a strike price of NOK 30.00 per share, and 3 018 of the options are exercised at a strike price of NOK 14.24. Following exercise of the 17 392 free-standing warrants, March 18th, 2019 the company's registered share capital was increased by NOK 3 478.40 through issuance of 17 392 new shares, each with a nominal value of NOK 0.20, against payment of a total subscription price of NOK 474 196. Following the share capital increase the company has a share capital of NOK 10 937 520.60 divided on 54 687 603 shares, each with a par value of NOK 0.20.

9.2. 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, 2018 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.

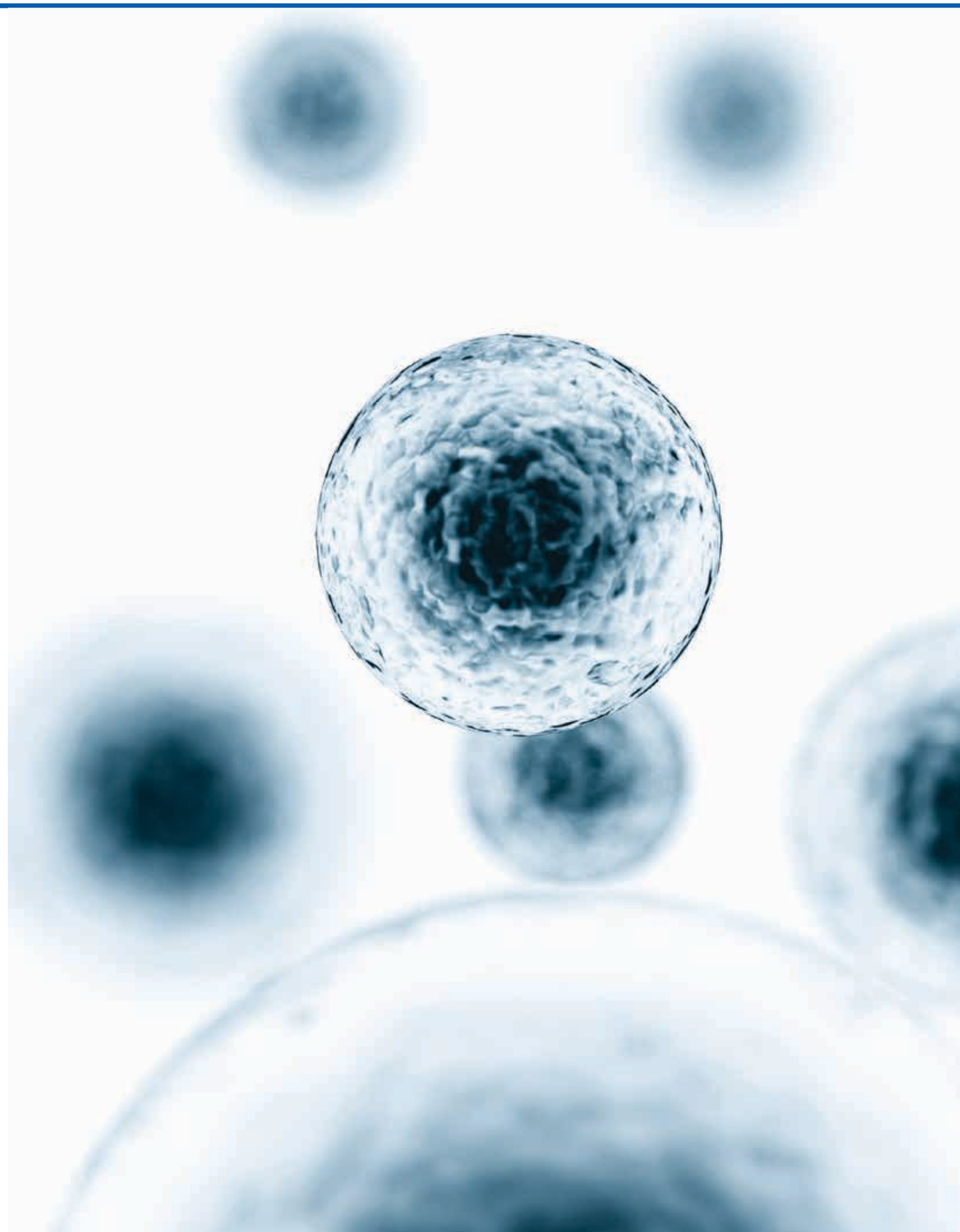
Changes / improvements	Standard
New standards	• IFRS 16 Leases The standard is effective for annual periods beginning on or after January 1st 2019, with early application permitted. The group adopted the new standard on the required effective date using the modified retrospective method. Implementation impacted the accounting of the lease agreements for office facilities and office machines in Oslo, which according to the new standard is classified as a "right of use asset" with a corresponding liability in the statement of financial position. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The implementation of IFRS 16 increases the value of total assets by NOK 6.6 million and associated liability by the same amount, split into short-term and long-term debt of NOK 1.5 and NOK 5.1 mill respectively. If IFRS 16 was implemented as per December 31st, 2018 the equity ratio would have changed from 76.7 per cent to 75.6 per cent.
Annual improvements 2012 – 2014	• 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 will have accounting effect from January 1st, 2019* *Implementation did not have material impact on the financial statements*

9.3. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

Changes / improvements	Standard
New standards	• **IFRS 9 Financial Instruments:** The standard replaced IAS 36 Financial Instruments Recognition and Measurement and The standard had accounting effect from January 1st, 2018 and introduced new requirements for classification and measurement, impairment and hedge accounting. *The adoption of IFRS 9 had no impact on the classification and measurement of the group's financial assets and hedge accounting.* • **IFRS 15 Revenue from Contracts with Customers:** The new standard established a new five-step model that will apply to revenue arising from contracts with customers. *The standard had accounting effect from January 1st, 2018, but had no 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 had accounting effect from January 1st, 2018. Implementation had no material impact on the financial statements.*

9.4. 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 in 2017 arose from services related to incubator services, rent out of employees and income from sublease of laboratory space, instruments and services shared with other companies.



Auditor's report

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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 2018, 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 2018 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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 of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

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

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of 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.

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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

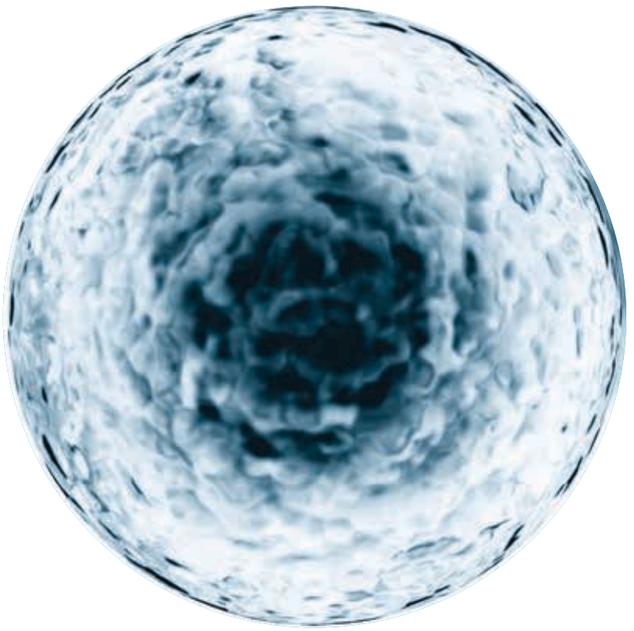
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements the going concern assumption and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

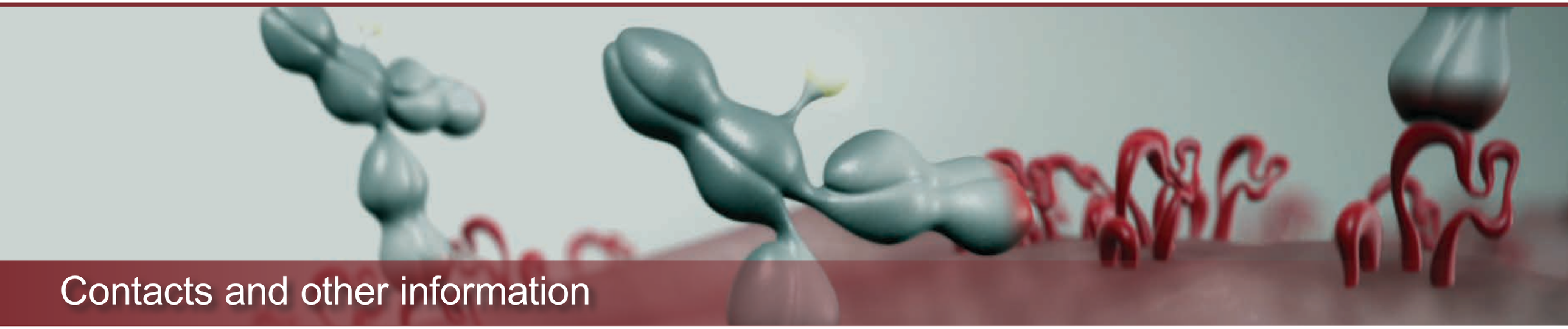
Opinion on registration and documentation

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, 29 March 2019
ERNST & YOUNG AS

Tommy Romskaug
State Authorised Public Accountant (Norway)





Contacts and other information

Financial calendar

- Annual general meeting: 25 April 2019
- Q1 2019 results 23 May 2019
- Q2 2019 results: 22 August 2019
- Q3 2019 results: 19 November 2019

The dates are subject to change. The time and location of the presentations will be announced in due course.
A two-week quiet period takes place ahead of full year and quarterly reports. During the quiet periods, the company will not participate in meetings, seminars or engage with external individuals or groups (including analysts, investors, media).

- Q1 2019 – Quiet period: 09 – 23 May 2019
- Q2 2019 – Quiet period: 08 – 22 August 2019
- Q3 2019 – Quiet period: 05 – 19 November 2019

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Forward-looking statements

This report contains certain forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances, 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 statements. These forward-looking statements are not historic facts. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied in the 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 product 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. The information and opinions in this report is provided as at the date hereof and subject to change without notice. It is not the intention to provide, and you may not rely on these materials as providing, a complete or comprehensive analysis of the company's financial or trading position or prospects. This report does not constitute investment, legal, accounting, regulatory, taxation or other advice and does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the company. You are solely responsible for seeking independent professional advice in relation to the company. No responsibility or liability is accepted by any person for any of the information or for any action taken by you or any of your officers, employees, agents or associates on the basis of such information.

Glossary of terms

- **^{177}Lu:** Lutetium-177 radionuclide
- **1L, 2L, 3L:** 1st, 2nd and 3rd line of treatment
- **ADC:** Antibody-drug-conjugate
- **AGM:** Annual general meeting
- **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 specialised receptor protein allows a B-cell to bind to a specific antigen.
- **Betalutin®:** Nordic Nanovector's lead clinical-stage candidate
- **BLA:** Biologics license applications
- **CAGR:** Compound annual growth rate
- **CAR-T:** Chimeric antigen receptor T cell
- **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
- **CLL:** Chronic lymphocytic leukemia
- **CMC:** chemistry, manufacturing, and control
- **CMO:** contract manufacturing organisation
- **CR:** Complete response
- **CRO:** Contract research organisation
- **CSR:** Corporate social responsibility
- **DLBCL:** Diffuse large B-cell lymphoma
- **DoR:** Duration of response
- **EGM:** Extraordinary general meeting
- **EIP:** Long term equity incentive plan
- **EMEA:** Europe, Middle East, and Africa
- **EU:** European Union
- **FDA:** Food and Drug Administration (US)
- **FL:** Follicular lymphoma
- **GMP:** Good manufacturing practice
- **HaemOncs:** Haematologist-oncologist
- **Humalutin®:** Chimeric anti-CD37 ARC
- **IAS:** International accounting standards
- **IDN:** Integrated delivery networks
- **IFRS:** International financial reporting standards
- **IND:** Investigational new drug
- **iNHL:** Indolent non-Hodgkin lymphoma
- **IPO:** Initial public offering
- **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
- **MBq:** Megabecquerel (radioactivity measurement unit)
- **MD:** Medical doctor
- **mDoR:** Median duration of response
- **Medicare:** US government reimbursement programme for insured elderly
- **MHRA:** Medicines and Healthcare Products Regulatory Agency
- **n:** Number
- **NHL:** Non-Hodgkin lymphoma
- **NM:** Nuclear medicine specialist
- **NNV003:** Chimeric anti-CD37 antibody developed by Nordic Nanovector
- **OCI:** other comprehensive income
- **ORR:** Overall response rate (CR plus PR)
- **OS:** Overall survival
- **PARADIGME:** name of Nordic Nanovector's pivotal Phase 2b study
- **PCP**: primary-care physician
- **PCT:** Patient coorporation treaty
- **PD:** Progressive disease
- **PFS:** Progression free survival
- **PIM:** Promising innovative medicine
- **PR:** Partial response
- **p-SCN-Bn-DOTA:** Chemical linker
- **PSU:** Performance share units
- **R/R:** Relapsed/refractory
- **R:** Rituximab
- **RadOnc:** Radiation oncologist
- **R-CHOP:** Rituximab, hydroxydaunorubicin (doxorubicin), oncovin (vincristine), prednisolone
- **RIT:** Radioimmunotherapy
- **RSU:** Restricted share units
- **RTX:** rituximab
- **SCT:** Stem sell transplant
- **SD:** Stable disease
- **US:** United States

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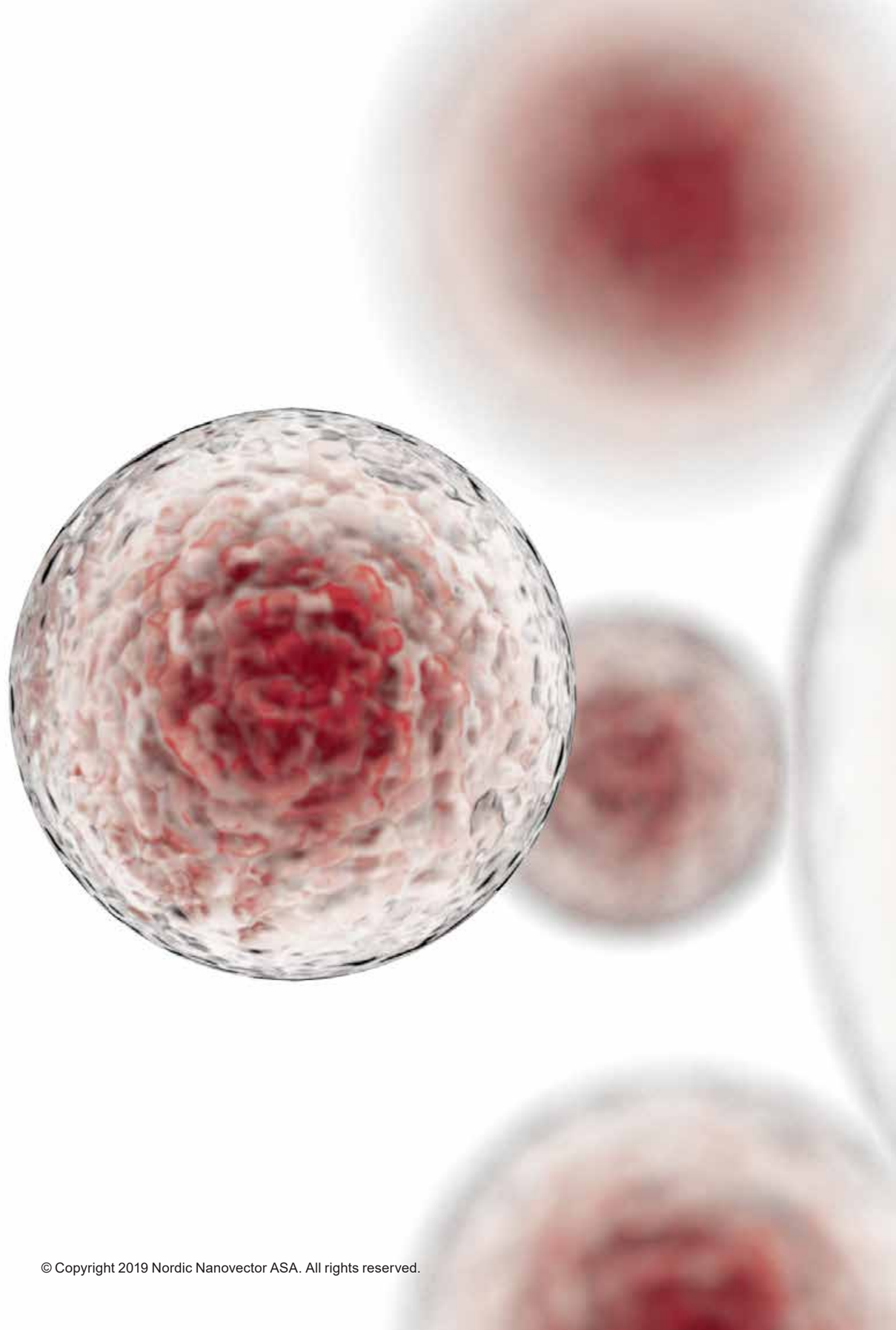

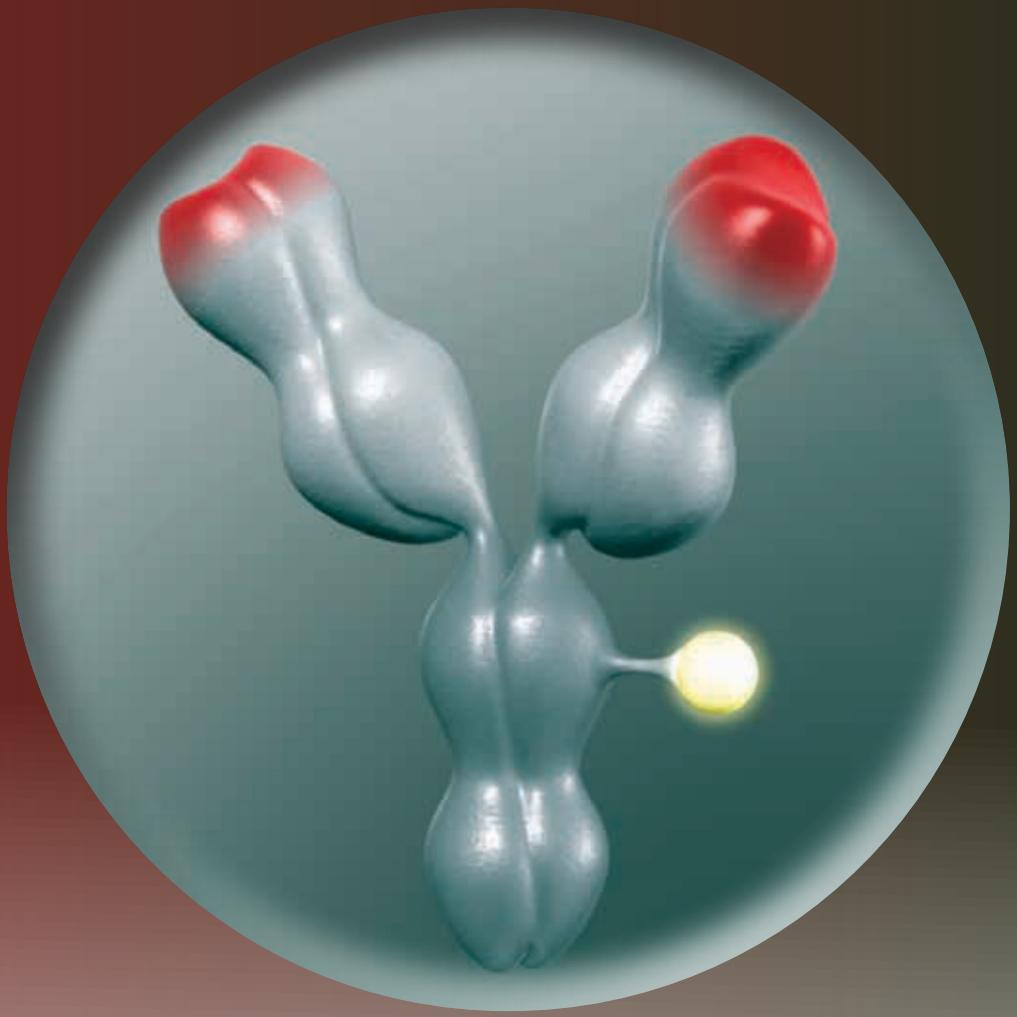

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