Annual Report

NORDIC NANOVECTOR

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 haematological cancers by developing and commercialising innovative targeted therapies.

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Important events 2019

The company raised net of NOK 445 million (USD 48 million) in private placements during the year.

Dr Jan H. Egberts elected as new chairman of the board.

European patent granted for Betalutin® or Humalutin® in combination with anti-CD20 antibodies for treating NHL.

Global clinical and commercial agreement signed with ITM for the supply of no-carrier-added Lutetium-177.

Pivotal Phase 2b PARADIGME trial: Timeline for full enrolment changed from 1H 2020 to 2H 2020 in August. 47 patients enrolled and 94 sites are open for enrolment in 24 countries as of February 26th, 2020.

LYMRIT 37-01 (relapsed iNHL): Median duration of response was reported in September as 13.6 months for all responders and 32.0 months for complete responders.

Archer-1: 100 per cent overall response rate (ORR) (3/3 complete responses (CR)) in the first cohort of patients in the Phase 1b study of Betalutin® + rituximab in relapsed/refractory follicular lymphoma, reported in September.

Phase 1 DLBCL trial: Three additional patients are currently being enrolled to the final dose cohort (fourth) as one patient has experienced a reversible dose limiting toxicity (DLT), reported in December.

The company received grant funding of NOK 6 million (~USD 0.65 million) from Eurostars, to advance the Alpha37 programme and NOK 12 million (~USD 1.3 million) from the Norwegian Research Council aimed at optimising the production yield of NNV003.

Dr Lars Nieba, Nordic Nanovector's chief technology officer was appointed interim chief executive officer on February 26th, 2020.

Scientific publications 2019

Papers

- **"Targeting B-cell malignancies with the beta-emitting anti-CD37 radioimmunoconjugate ^{177}Lu-NNV003"**, Astri F. Maaland, Helen Heyerdahl, Adam O'Shea, Bergthora Eiriksdottir, Véronique Pascal, Jan Terje Andersen, Arne Kolstad, Jostein Dahle. *Eur J Nucl Med Mol Imaging. 2019; 46(11):2311-2321.*

- **"The Dual Cell Cycle Kinase Inhibitor JNJ-7706621 Reverses Resistance to CD37-Targeted Radioimmunotherapy in Activated B Cell Like Diffuse Large B Cell Lymphoma Cell Lines",** Gro Elise Rødland, Katrine Melhus, Roman Generalov, Sania Gilani, Francesco Bertoni, Jostein Dahle, Randi G. Syljuåsen and Sebastian Patzke. *Front. Oncol. (2019) 9:1301. doi: 10.3389/fonc.2019.01301.*

- **"The therapeutic effectiveness of ^{177}Lu-lilotomab in B-cell non-Hodgkin lymphoma involves modulation of G2/M cell cycle arrest"**, Alexandre Pichard, Sara Marcatili, Jihad Karam, Julie Constanzo, Riad Ladjohounlou, Alan Courteau, Marta Jarlier, Nathalie Bonnefoy, Sebastian Patzke, Vilde Stenberg, Peter Coopman, Guillaume Cartron, Isabelle Navarro-Teulon, Ada Repetto-Llamazares, Helen Heyerdahl, Jostein Dahle, Manuel Bardiès and Jean-Pierre Pouget. *Leukemia (2019) doi:10.1038/s41375-019-0677-4.*

Poster

- **"The dual cell cycle kinase inhibitor JNJ-7706621 reverses resistance to CD37 targeted radioimmunotherapy ABC-subtype Diffuse Large B Cell Lymphoma Cell Lines"**, Sebastian Patzke, Gro Elise Rødland, Katrine Melhus, Roman Generalov, Sania Gilani, Francesco Bertoni, Jostein Dahle, and Randi G. Syljuåsen *American Society of Hematology (ASH), Orlando, Florida, USA.*

Oral presentations

- **"^{212}Pb-NNV003 as a Novel Targeted Alpha Therapy for CD37 Positive B-cell Chronic Lymphocytic Leukaemia (CLL) and Non-Hodgkin's Lymphoma (NHL)"** at the International Symposium on Targeted-Alpha-Therapy conference, Amal Saidi, *Ottawa, Canada.*

- **"Targeted alpha therapy with ^{212}Pb-NNV003 for the treatment of CD37 positive B-cell chronic lymphocytic leukaemia (CLL) and non-Hodgkin lymphoma (NHL)"** at the Targeted Radiopharmaceuticals Summit**,** Jostein Dahle, *Munich Germany.*

- **"Combination of ^{177}Lu-lilotomab satetraxetan with rituximab synergistically improves in-vivo therapeutic efficacy in a rituximab-resistant non-Hodgkin lymphoma (NHL) model"**, at the SNMMI conference, Marion Malenge, *Anaheim, California.*

- **"Targeted alpha therapy with 212Pb-NNV003 for the treatment of CD37 positive B-cell chronic lymphocytic leukemia (CLL) and non-Hodgkin lymphoma (NHL)"** at the SNMMI conference, Astri Maaland, *Anaheim California.*

- **"Targeted alpha therapy with ^{212}Pb-NNV003 is efficient in treatment of ibrutinib-resistant chronic lymphocytic leukaemia in preclinical model"** at the European Association of Nuclear Medicine (EANM) conference, Amal Saidi, *Barcelona, Spain.*

- **"^{177}Lu-NNV003 shows potential synergy with venetoclax or olaparib in diffuse large B-cell lymphoma (DLBCL) and mantle cell lymphoma (MCL) cell lines"** at the European Association of Nuclear Medicine (EANM) conference, Ada Repetto-Llamazares, *Barcelona, Spain.*

Awards and recognitions

- International best abstract award for Norway: **"Combination of ^{177}Lu-lilotomab satetraxetan with rituximab synergistically improves *in-vivo* therapeutic efficacy in a rituximab-resistant non-Hodgkin lymphoma (NHL) model"** at the SNMMI conference, Marion Malenge, *Anaheim, California.*

- Abstract and presentation included in Oncology and Therapy highlights: **"Targeted alpha therapy with ^{212}Pb-NNV003 for the treatment of CD37 positive B-cell chronic lymphocytic leukemia (CLL) and non-Hodgkin lymphoma (NHL)"** at the SNMMI conference, Astri Maaland, *Anaheim, California.*

- Abstract and presentation included in the highlights of the EANM conference presentation: **"Targeted alpha therapy with ^{212}Pb-NNV003 is efficient in treatment of ibrutinib-resistant chronic lymphocytic leukaemia in preclinical models"** Amal Saidi, *Barcelona, Spain.*

Creating shareholder value

Complete enrolment into PARADIGME to enable BLA filing for Betalutin® with a strong product profile

Advance clinical development of Betalutin® + rituximab combination in 2L FL

Progress clinical development plan with Betalutin® in DLBCL

Develop and execute commercialisation strategy for Betalutin® in NHL in the US

Opportunistically consider partnerships to further enhance shareholder returns

Selectively extend the company's pipeline targeting other B-cell malignancies around radioimmunotherapy expertise

Maintain rigorous capital management

Corporate snapshot

Photo by Malcolm Lightbody

Nordic Nanovector is a **clinical-stage** biopharmaceutical company dedicated to extending and improving the lives of patients with **haematological cancers** through the development and commercialisation of innovative **targeted therapies**

- Founded 2009 in Oslo, Norway to develop Betalutin® for the treatment of non-Hodgkin lymphoma (NHL) based on:
  - A spin-off of the Norwegian Radium Hospital, a centre of excellence for oncology biomedical research and patient care
  - R&D expertise in radioimmunotherapies
- HQ in Oslo, with corporate entities in London/UK, Zug/Switzerland and Fredrikshavn/Denmark
- 48 employees
- Listed on the Oslo Stock Exchange since 2015 (NANO)
- Market cap USD 75 M*

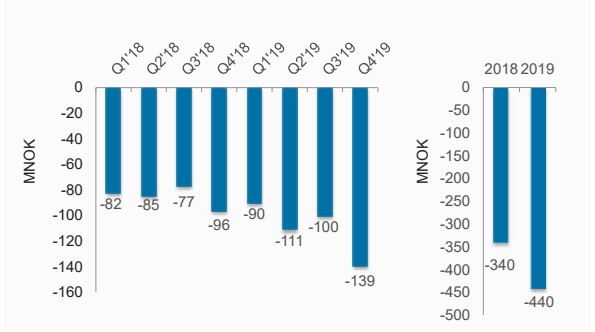
23 March 2020

History

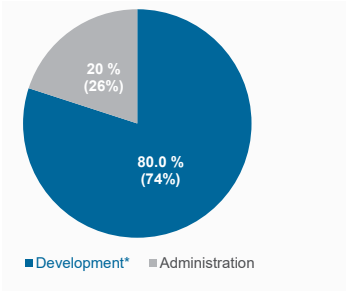
2009	• Betalutin® was invented by Dr Roy H. Larsen, Professor Øyvind S. Bruland and Dr Jostein Dahle.
2010	• 1st patent application was filed for Betalutin®.
2011	• 1st patent application was approved in Norwegian Patent Office. • The company established offices / lab in Oslo, Norway.
2012	• Received regulatory approval for clinical trials in Norway and Sweden. • First patient treated in the LYMRIT 37-01 Phase 1/2a trial.
2013	• Private placement of NOK 60 million. • HealthCap VI L.P. committed to invest NOK 50 million.
2014	• Betalutin® patent approved in Europe and US. • LYMRIT 37-01 trial advanced to Phase 2a. • Orphan-drug designations granted in the US and in EU for FL. • Private placement of NOK 300 million. • Listing of shares on the Norwegian OTC.
2015	• Nordic Nanovector listed on Oslo Børs (NANO) - NOK 575 million was raised. • LYMRIT 37-01 trial extended with 4 extra arms in Phase 1.
2016	• FDA granted Investigational New Drug (IND). • FDA approved dose-finding for DLBCL (37-05). • Collaboration agreements signed with Paul Scherrer Institute, Areva Med (Orano Med), LegoChem Bio and Heidelberg Pharma. • Private placement of NOK 499 million. • Humalutin® ready for clinical testing.
2017	• First patient dosed in DLBCL trial (37-05). • Phase 1 part of LYMRIT-37-01 completed.
2018	• Fast track designation granted in the US for Betalutin®. • Phase 2a part of LYMRIT-37-01 completed. • First patient dosed in Phase 2b PARADIGME trial of Betalutin® in 3rd line FL. • Promising Innovative Medicine (PIM) granted in the UK for Betalutin®. • First patient dosed in ARCHER-1 trial of Betalutin® plus rituximab in 2nd line follicular lymphoma (LYMRIT 37-07).
2019	• Private placements net of NOK 445 million (USD 48 million). • European patent granted for Betalutin® or Humalutin® in combination with anti-CD20 antibodies for treating NHL.

Key figures

Operating results

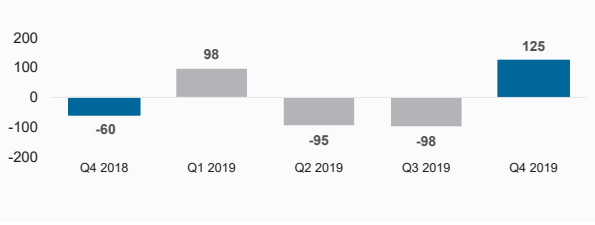


Distribution of total operating expenses

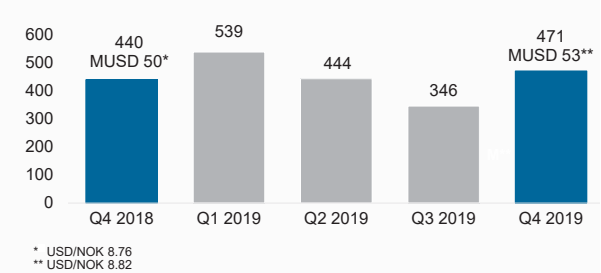


*Development costs: preclinical, clinical, medical affairs, regulatory affairs and CMC activities

Cash flow



Cash position



* USD/NOK 8.76
** USD/NOK 8.82

The share

Share price development

25.03.2019 - 23.03.2020

Share information

Ticker: NANO (OSE/Oslo Stock Exchange)

Market Cap[1)] - at share price NOK 13.35

883 NOK million / 75 USD million

Daily turnover[1)]

633 634 58%

No of shares 3 months turnover in % of total shares

Research analyst coverage

ABG Sundal Collier
DNB Bank ASA
Jefferies International Ltd
Kempen

[1)] 23 March 2020

Top 10 shareholders

Shareholders	No of shares	%
1. HealthCap VI L.P.	6 165 378	9,32%
2. Folketrygdfondet	3 663 865	5,54%
3. OM Holding AS	2 953 433	4,47%
4. Linux Solutions Norge AS	845 071	1,28%
5. Ro Invest AS	800 000	1,21%
6. VPF Nordea Kapital	778 910	1,18%
7. Sciencons AS	733 000	1,11%
8. VPF KLP AksjeNorge	731 021	1,11%
9. Must Invest AS	700 000	1,06%
10. Radiumhospitalets Forskningsstiftelse	684 972	1,05%
Total 10 largest shareholders	18 055 650	27,33 %
Others	48 087 713	72,67 %
Total number of shares	66 143 363	100,00%

As per 23 March 2020

What we do

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, 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 was 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) non-Hodgkin lymphoma (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 relapsed/refractory (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). 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) (3L R/R FL patients). The trial is aiming to enrol 130 patients. PARADIGME is open for patient enrolment at 94 clinical sites in 24 countries, including the US. The company has enrolled 47 patients as of February 26th, 2020. 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 enrolling patients in its Archer-1 (LYMRIT 37-07) Phase 1b clinical trial that was approved to start in June 2018. 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 patients with relapsed/refractory follicular lymphoma who have received one or

more prior therapies (2L R/R FL). In the first safety cohort an overall response rate of 100 per cent was observed with three complete responders and importantly no dose limiting toxicities. Patients are now being enrolled in second safety cohort. Data read out is expected in the second half of 2020.

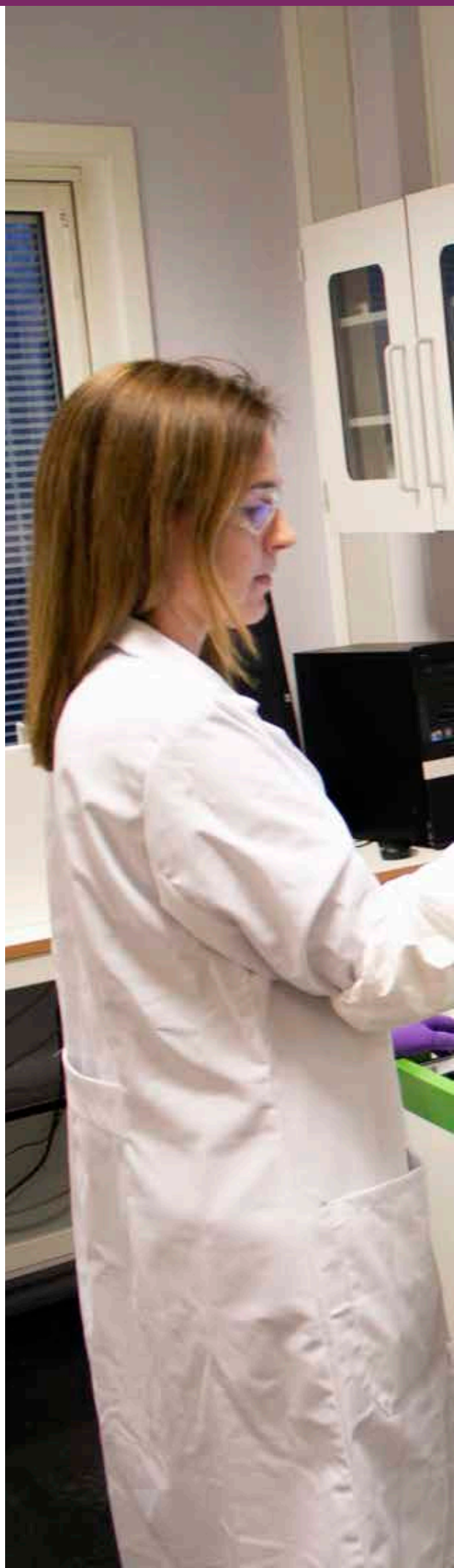
In addition, Nordic Nanovector is in the process of enrolling patients in its LYMRIT 37-05 Phase 1 clinical trial to investigate Betalutin® in relapsed diffuse large B-cell lymphoma (DLBCL) patients ineligible for stem cell transplantation. After 1st line combination treatment with rituximab-chemotherapy approximately 40 per cent of DLBCL patients relapse and only 30-40 per cent of relapsed patients respond with subsequent high-dose chemotherapy followed by stem cell transplant (SCT) treatment. There are currently very few therapeutic options for patients not eligible for SCT, which makes this disease a serious unmet medical need.

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. This open-label, dose-escalation safety trial is designed to assess the safety, tolerability, pharmacokinetic profile and preliminary anti-tumour activity of Betalutin® in up to 24 patients. The primary goal of the trial is to identify the maximally tolerated dose of Betalutin® which will then be further evaluated for safety and anti-tumour activity in an expansion cohort in order to select the recommended dose for Phase 2. Three additional patients are currently being enrolled for further evaluation of the final dose cohort as one patient experienced a reversible dose limiting toxicity (DLT).

On the three completed cohorts, no safety issues were identified. Evidence of disease control has been noted in some of the enrolled patients. We expect to complete the data read-out for the dose-escalation phase and submit the data to an international congress in 1H 2020.

The 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 a ready-to-use formulation for single-dose administration for treating NHL for 3L relapsed and/or refractory follicular lymphoma (R/R FL) patients. Betalutin® is a radioimmunoconjugate, which consists of the anti-CD37 murine (mouse) antibody lilotomab, conjugated to the chelator p-SCN-Bn-DOTA, which chelates the beta-emitting isotope lutetium-177 (^{177}Lu). Betalutin® is also referred to as lutetium (^{177}Lu) lilotomab satetraxetan.

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.

Why target CD37

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.

Why target CD37?

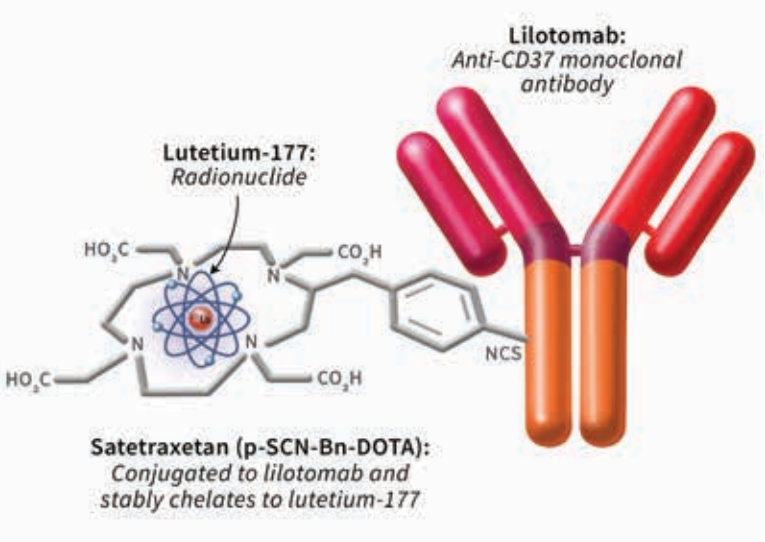
- CD37 is highly expressed on the majority of B-cells and B-cell lymphomas.
- CD37 is absent on normal stem cells and is lost again following differentiation into plasma cells.
- Because of its high prevalence on the surface of B-cell lymphomas, CD37 is a target for several different agents in clinical 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.

Key benefits of Betalutin®

- Betalutin® is specifically designed as a one-time treatment for NHL: Compelling, unique and differentiated value proposition.
- Betalutin® targets CD37, a different antigen compared to other drugs currently used for NHL. CD37 is highly expressed by B-cells and in B-cell lymphoma. It provides an alternative therapeutic target for anti-CD37-based therapies in recurrent lymphoma patients who do not respond to anti-CD20-based therapy (e.g. rituximab).
- The ^{177}Lu payload emits beta-particles with a mean range of approximately 0.23 millimetres. Beta-particles cause tumour cell death through irreversible double-stranded DNA breaks. The limited range of the beta-particles minimises their impact on healthy cells.
- The beta-particle radiation facilitates a localised "multi-cell kill" mechanism of action (also called the "crossfire effect"), which enhances the destruction of malignant cells within a tumour mass that do not express CD37 antigens or have limited blood supply. This represents a significant advantage over the single-cell kill effect of other immunotherapy approaches (monoclonal antibodies and ADCs), which may leave tumour cells that do not express the target antigen unaffected by treatment.
- The half-life of ^{177}Lu (6.7 days) matches the time required for maximal uptake of lilotomab in tumours. Betalutin® is prepared as a ready-to-use formulation that is administered as a single injection in an outpatient setting, with no radiolabelling needed at the treatment centre.
- High and durable response from one-time treatment in heavily pre-treated NHL patients.
- Predictable and manageable toxicity, important for elderly NHL patients who might not be able to tolerate chemotherapy.

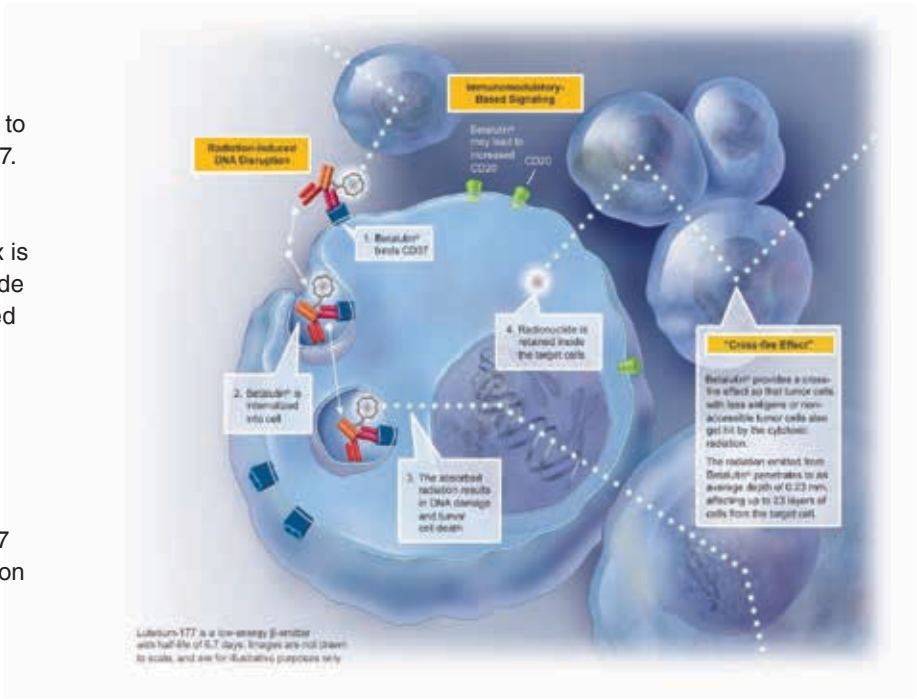
Betalutin®: A novel CD37-targeting radioimmunotherapy

- CD37 is highly expressed in B-NHL.
- ^{177}Lu: a low energy β-emitter with a half-life of 6.7 days.
- Mechanism of action:
  - Internalisation and cell death.
  - Crossfire effect targets cells with variable CD37 expression and poorly-vascularised tumour regions.



Betalutin®

- 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 internalised 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, blocking of CD37 may increase the concentration of proteins that activate the immune system to attack the cancer cells.



Therapeutic areas

Non-Hodgkin lymphoma

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

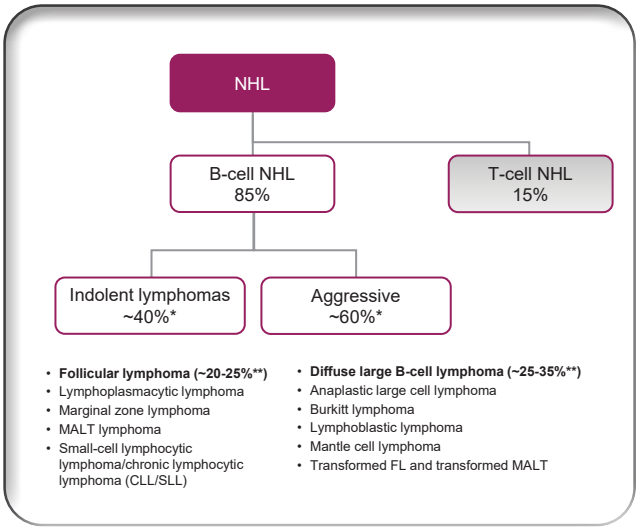
Currently, more than 200 different types of cancer exist, which can develop in 60 different organs in the body. Some cancer types are known for taking thousands of lives every year, among these are: breast, lung, prostate, bowel, malignant melanoma and non-Hodgkin lymphoma (NHL), a haematological cancer. NHL can be further divided in two groups; B-cell lymphomas (including, amongst other subtypes, diffuse large B-cell lymphoma, follicular lymphoma, chronic lymphocytic leukaemia/small lymphocytic lymphoma, mantle cell lymphoma and marginal zone lymphoma) and T-cell lymphomas (precursor T-lymphoblastic lymphoma/leukaemia 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 sub populations) is not expected to increase considerably during the 2016-2026 forecast period[3)].



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 (FL)

Follicular lymphoma, 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.

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 the 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 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 190 00 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)].

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.*

Letter from the chairman

Dear shareholders,

2019 was another important year for us while we continued to work towards completing the PARADIGME study and preparing for the planned filing of Betalutin® with the FDA. We continue to aim for the completion of the enrolment during the second half of this year.

The encouraging efficacy and safety profile demonstrated in the first part of the LYMRIT 37-01 Phase 1/2 trial with a single administration of Betalutin® provides the board and management confidence in the potential of this compound to become an important option for patients with non-Hodgkin lymphoma (NHL).

We continue to ramp up our CMC activities and strengthen our overall organisation in preparation for the anticipated filing with the FDA. Crucially, we have been successful in raising new funds totalling net of NOK 445 million (USD 48 million) during 2019. These funds provide us with the financial resources to complete the enrolment of the PARADIGME trial.

It is our vision to extend and improve the lives of patients with haematological cancers through the development and commercialisation of innovative radiopharmaceuticals. These products combine the specific targeting ability of anti-tumour antibodies with the cancer-killing properties of radioisotopes, creating potent therapeutics that may offer a more appealing alternative to chemotherapy for cancer patients.

In recent years, we have seen a resurgence of scientific and industry interest in radiopharmaceuticals as the technologies to develop them have become more sophisticated and they demonstrate impressive efficacy and safety results in clinical trials. This interest has been confirmed by several M&A transactions, most notably Novartis' acquisition of Advanced Accelerator Applications and Endocyte for a total of USD 6 billion and the successful commercial launches, such as Lutathera® for neuroendocrine tumours and Xofigo® for bone metastases in prostate cancer patients.

We continue to be at the forefront of radiopharmaceutical developments with Betalutin®, our wholly owned product, designed to target significant unmet needs in NHL. Our focus is on the two largest types: follicular lymphoma (FL) and diffuse large B-cell lymphoma (DLBCL). We have also made significant progress in leveraging our core expertise by signing a research partnership with Orano Med to develop next-generation radiopharmaceuticals targeting B-cell malignancies.

With Betalutin® we believe we have a unique and promising asset in our hands. Our confidence in the potential of this compound has increased as the data from our Phase 1b/2a LYMRIT 37-01 trial have matured. The promising efficacy and safety profile presented at ASH in December 2018 was enhanced during 2019 with updated data on the durability of the clinical response following a single treatment with Betalutin®. These data showed a median duration of response in excess of one year (13.6 months) for all responders and, remarkably, almost three years (32.0 months) for complete responders – and again, this treatment is a single dose in patients with advanced stage disease, who are often very difficult to treat and have few remaining options available.

Our priority is to confirm these exciting results and finalise our dosing regimen through the Phase 2b PARADIGME study that will enable us to bring Betalutin® to FL patients as quickly as possible. Our team has worked very hard over the past year and, as reported earlier, as of February 26th, 47 patients have been enrolled and 94 clinical sites in 24 countries were open for enrolment.

We continue to advance our earlier stage clinical trials of Betalutin® in combination with rituximab in FL patients (Archer-1) and of Betalutin as a single agent in DLBCL (LYMRIT 37-05) – data from both trials are expected to become available during 2020.

To further leverage our radiopharmaceutical expertise and extend our pipeline, we are exploring "Alpha37", a new radioimmunoconjugate that combines our chimeric CD37-targeting antibody (NNV003) with an alpha-particle generator (lead-212). In collaboration with Orano Med, we have presented promising preclinical data with Alpha37 in certain B-cell leukaemias and lymphomas. Preparations are underway to gain clearance to enter this candidate into clinical trials.

The company has now reached a crucial point in its development. As PARADIGME advances towards completion, our plans have increasingly been directed towards building an organisation that is equipped to commercialise Betalutin®, first in the US, our priority market.

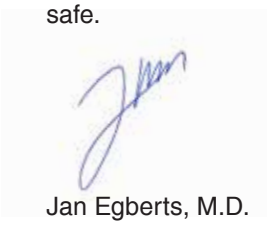
We are delighted that we have been able to attract such a highly qualified and experienced team of individuals to the company. Not only do they share our excitement over the potential for Betalutin® but they also bring the operational expertise to deliver a successful commercialisation

strategy. This team has allowed us to develop a strong understanding of the clinical needs, market opportunity and optimal route to the market for Betalutin®.

At the time of writing, the global coronavirus is unfolding rapidly, particularly in relation to hospital resources, which are being re-prioritised to focus on the care of patients directly affected by COVID-19. We are, of course, monitoring this very fluid situation on a daily basis. We are working closely with our CROs and CMOs to ensure that we can continue to treat patients by delivering Betalutin® to our clinical centres when needed.

Our main priority is to do what is in the best interests and safety of our patients and employees. We are also doing everything we can to ensure health to caregivers, clinical site staff, company employees and contractors. We are and will continue to fully comply with and support whatever guidelines are put in place by local and global health care authorities.

In conclusion, I am pleased to report that we are getting closer to realising our ambition of bringing Betalutin® to the many NHL patients who could benefit from this new potential treatment. I would like to thank all our employees for their hard work and dedication, especially under these difficult circumstances, and all our shareholders for their continued support. I hope that you all stay healthy and safe.



Jan Egberts, M.D.
Chairman

Oslo, March 26th, 2020

Governance

Compensation report and guidelines

This compensation report summarises the work of the compensation committee and the board 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 (the board) has 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 92. This statement will be subject to a vote at the company's annual general meeting (AGM) in 2020 as set out in the statement.

Compensation committee

The compensation committee

The compensation committee comprises three members of the board.

The members of the committee are:

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

The board, with the assistance of the compensation committee, determines the compensation policy as presented for decision by the AGM 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, the expectations of shareholders and the wider employee population. The board determines the total compensation of the CEO.

The board 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 4 times from the AGM in 2019 until the end of March 2020. 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 2019 and on cash bonuses for the management team.
- Recommendation on the grant of performance share units (PSUs) 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 2019 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 AGM in 2019 until the AGM in 2020 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 the company's 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 compensation	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 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. The compensation review for 2019 used the same report for input.

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 group 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

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'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- 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 AGM in 2019 until the AGM in 2020 and the board proposes a continuation of this policy for the period from the AGM in 2020 to the AGM in 2021 (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. 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, 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 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. 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. The corporate priorities will change from year to year depending on the development of the business, as well as the overall strategic direction. In 2019, 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.

From AGM in 2019 until the AGM in 2020 the following compensation principles were applied:

Comparative factor	Objectives
Execution of Betalutin® development plan	• Advancement of the PARADIGME trial • Advancement of DLBCL and rituximab combo trial (Archer-1) • Obtain health authorities designations • CMC commercial readiness
Finance management	• Company sufficient funded to execute approved plan
Development of business	• Betalutin® positioning and awareness outside Nordic Nanovector

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 2020.

The annual bonus percentages:

2020 annual bonus percentages	Target (% of base salary)	Maximum % of base salary)
Chief Executive Officer	45%	67.5%
All other executives	30%	45%

Bonus payments based on performance in 2019:

	% of base salary
All other executives (average)	21%

The compensation committee may, at its discretion, review the operation of the annual cash bonus plan and make recommendations to the board 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 approved, that the achievement of the corporate priorities had reached 58 per cent of the target for 2019.

Long-term incentives

The board 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 EGM on December 20th, 2017 (2017 EGM). The company's AGM on May 30th, 2018 (2018 AGM) and April 25th, 2019 (2019 AGM) approved a continuation of the EIP. The board proposes a continuation of the EIP.

Eligibility

Employees, including new hired 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. Members of the board will not be eligible to participate in the EIP.

The board 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 intends to grant awards under the EIP on an annual basis within the maximum size of the awards approved at the company's AGM each year. The annual awards will normally be effected during the first quarter of the financial year following the financial year where the AGM 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.

General terms of the EIP
The EIP provides for the grant of performance share units (PSUs). PSUs will be granted by the board 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 per cent and 100 per cent. Vesting of half of the granted PSUs will be determined by an operational factor, and vesting of the other half will be determined by a share price factor.

The operational factor shall be determined by the fulfilment of a selection of predefined annual operational objectives, which are considered important for the creation of long-term shareholder value. If all objectives are fulfilled the operational factor will be set at 100 per cent, which will result in full vesting of half of the granted PSUs. 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 per cent will result in a share price factor of 100 per cent, which translates into full vesting of half of the PSUs. A share price increase of 20 per cent will result in a share price factor of 33 per cent, which translates into vesting of 33 per cent of the half of the PSUs. Share price increases between 20 and 60 per cent will result in a share price factor between 33 and 100 per cent, calculated linearly. Share price increases below 20 per cent will result in a share price factor of 0 per cent, which will result in half of the PSUs not vesting. Upon vesting of PSUs the holder of the PSUs will have a right to subscribe for one new share in the company for each vested PSU, at a subscription price per share corresponding to the par value of the company's shares.

If the PSU holder resigns or is given summary dismissal, all unvested PSUs will lapse. If the PSU holder is dismissed all unvested PSUs will lapse, unless the board decides otherwise. For PSUs granted after the 2019 AGM the following amendment applies. If the PSU holder is dismissed or a severance agreement is entered into more than 12 months after the 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 number of his/hers unvested PSUs corresponding to 1/3 of the PSUs granted to him/her, 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.

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 is proposing that the 2020 AGM approves a continuation of the EIP.

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 per cent 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 2019 AGM approved a continuation of the EIP and authorised the board to grant up to 800 000 PSUs during the period from the 2019 AGM to the 2020 AGM.

Pursuant to the authorisation granted at the 2017, 2018 and 2019 AGMs, the board has granted 1 417 050 PSUs, which of 986 750 PSUs are outstanding. All PSUs 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 per March 26th, 2020 1 718 410 and 986 750 (out of 1 900 000) respectively. Subject to all vesting conditions being fulfilled exercise of the options and PSUs would create a 3.9 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 has started preparations for a commercial launch for Betalutin®. This will involve, among many other things, growing the current organisation by initiating the recruitment of a full commercial organisation. When recruiting experienced commercial managers and other key employees in the US and in Europe it will be important for Nordic Nanovector to be able to offer attractive compensation terms. A competitive equity-based incentive programme 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 proposes that the shareholders at the 2020 AGM authorise the board to grant PSUs under the existing EIP during the period from the 2020 AGM until the AGM in 2021 (period). The board will propose the amount of PSUs to be granted and include this proposal to the notice of the AGM 2020. 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 2020 AGM.

The board further proposes that the shareholders at the 2020 AGM resolve 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 a statutory defined contribution pension scheme, which is split between the employee and the company, and is 9 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 previous CEO was 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 was 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

Lars Nieba, PhD
Interim CEO and
Chief Technology Officer

Dr Lars Nieba (52) joined Nordic Nanovector in December 2019 as chief technology officer and brings 20 years of leadership experience in the development of multiple pharmaceutical product candidates and innovative technologies. He comes from Bayer AG, where he served as VP and Strategic Product Lead. He joined Bayer in 2016, following 13 years at F. Hoffmann-La Roche Ltd., at which he held leadership roles in clinical supply planning, biologics technology and technical business development biologics. Dr Nieba gained a PhD from the Max-Planck-Institute for Biochemistry, Munich, and Institute for Biochemistry at the University of Zürich; and an Executive MBA from the University of St. Gallen, Switzerland. Dr Nieba holds dual Swiss/German nationality and resides in Switzerland.

Marco Renoldi, MD
Chief Operating Officer

Dr Renoldi (63) 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 London from July 2012 to October 2014. Prior to that he was for 9 years at Amgen, where he served as executive director and international oncology franchise head in Zug (Switzerland), and previously as managing director of Amgen Italy. 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 currently serves as non-executive director in the board of Respinor, a private med-tech company headquartered in Oslo, 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

Dr Rojkjaer (54) 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

Ms Kvåle (50) has more than 20 years of experience from the biotech industry. She has held the position of CFO in Nordic Nanovector since November 2012. 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 in US, now Thermo Fisher. She currently serves as director of the board and chair of the audit committee of Bonesupport AB, Sweden. Ms Kvåle has a diploma in finance and administration from Harstad University College (1990). Ms Kvåle is a Norwegian citizen, and resides in Norway.

Jostein Dahle, PhD
Chief Scientific Officer

Dr Dahle (47) 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

Ms Rita Dege (53) 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.

The management

Rosemarie Corrigan
Chief Quality Officer

Ms Corrigan (55) 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
VP Investor Relations and Corporate Communications

Ms Brondberg (47) 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.

Gabriele Elbl, PhD
VP Global Regulatory Affairs

Dr Gabriele Elbl (58) has more than 20 years of experience working in small and large pharmaceutical companies and at the European Medicines Agency (EMA). She has expertise in all regulatory aspects of pharmaceutical development and submission procedures for biologicals and small molecules in Europe and in the US with focus on oncology and haematologic malignancies. Dr Elbl comes from Mundipharma EDO, where she was Global Head of Regulatory Affairs Oncology. Prior to this she held senior leadership roles in global regulatory affairs at MorphoSys, Wilex and Sanofi-Winthrop (part of Sanofi). Dr Elbl holds a PhD from the Institute of Pharmaceutical Biology from the Ludwig-Maximilians-University in Munich, Germany. She joined Nordic Nanovector in November 2019. Dr Elbl is a German citizen and resides in Germany.


Thermo

The board of directors

Jan H. Egberts, MD
Chair

Dr Egberts (61) 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. He 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. He 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. He then became CEO of OctoPlus, a publicly traded specialty pharmaceutical company in the Netherlands. OctoPlus was subsequently acquired by Dr Reddy Laboratories. After this, He 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 in February 2019. He attended 19 of the 19 board meeting that occurred after he was elected as chair, in total there were 26 board meetings in 2019. Dr Egberts is a Dutch citizen and resides in the Netherlands.

Rainer Boehm, MD
Director

Mr Boehm (60) 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 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 2018. He attended 25 of total 26 board meetings in 2019. Mr Boehm is a German citizen and resides in Switzerland.

Jean-Pierre Bizzari, MD
Director

Dr Bizzari (65) 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, Oxford Bio Therapeutics, 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 of total 26 board meetings in 2019. Dr Bizzari is a French and US citizen, and resides in the US.

Joanna C Horobin
Director

Ms Horobin (65) has comprehensive experience within the biopharmaceutical industry. She was most recently senior vice president, chief medical officer and a member of the leadership team at Idera Pharmaceuticals Inc. in Cambridge, MA, US. 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 boards of Kymera Therapeutics and Liquidia Technologies. 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 of total 26 board meetings in 2019. Ms Horobin is a British citizen and resides in the US.

Per Samuelsson
Director

Mr Samuelsson (59) is a partner at HealthCap, the life sciences venture capital firm, which was the principal shareholder of Nordic Nanovector as of December 31st, 2019. Mr Samuelsson has 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, 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 of total 26 board meetings in 2019. Mr Samuelsson is a Swedish citizen, and resides in Sweden.

Gisela M Schwab, MD
Director

Dr Schwab (63) 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 on 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 of total 26 board meetings in 2019. Dr Schwab is a German citizen and resides in the US.

Hilde H. Steineger, PhD
Director

Dr Steineger (54), 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 position: Strongbridge Biopharma plc. She has served as a director in the company since November 2014. She is an independent director of the board. She attended 26 of total 26 board meetings in 2019. 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 include ethical business practices, reliable financial reporting and 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 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 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 in January 2015 and updated on September 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 issued 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 require that the company reports on its compliance with the recommendations of the Code. Both the continuing obligations and the Code require that an explanation is provided where a company has chosen an alternative approach to specific recommendations in the Code (i.e. the "comply or explain" principle). 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 Nordic Nanovector has, in close cooperation with the company's executive management adopted several corporate governance guidelines:

- code of conduct and corporate social responsibility
- rules of procedure for the board
- 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
- anti-corruption manual
- whistle blowing 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 is responsible for defining the company's strategies, primary objectives and risk profiles and to support the company's value creation to shareholders. These are evaluated yearly and described in the annual report. The board 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 shall 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, 2019 amounted to NOK 13 228 672.60, divided into 66 143 363 shares, each with a par value of NOK 0.20. The equity ratio at December 31st, 2019 was 75.2 per cent and is considered suitable by the board.

The board has established a clear and predictable dividend policy: The financial resources of Nordic Nanovector are directed towards the clinical development of Betalutin®, both as a stand-alone 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 mandate 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 AGM.

The AGM held April 25th, 2019 granted an authorisation to increase the share capital by an amount limited to 20 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 October 2019, the company completed a private placement, raising approximately gross NOK 242.5 million, through the use of the authorisation granted by the AGM.

The AGM held April 25th, 2019 further granted an authorisation to increase the share capital by an amount limited to NOK 22 000 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, who have elected to receive all or part of their board remuneration in the form of restricted stock units (RSUs). The authorisation is valid until April 25th, 2021. In 2019, the authorisation was used to issue 45 961 new shares to four board members that have exercised the RSUs. The number of RSUs currently outstanding is 44 308.

The extraordinary general meeting (the "EGM") held on December 20th, 2017 approved the company's new share based incentive programme. In 2019, the AGM authorised the board to grant up to 800 000 perfomance share units (PSUs) to the company's employees. The AGM further resolved to issue up to 800 000 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 6.3 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 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 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. The chair of the board, the CEO and CFO are present at the AGMs, along with the nomination committee and the company auditor.

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 of 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 and the management. No more than one member of the committee shall be a board member, and any such member shall not offer himself for re-election to the board. The nomination committee shall not include the chief executive officer or any other executive personnel.

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

The AGM held April 25th, 2019, re-elected Johan Christenson (chair), Olav Steinnes, and Egil Bodd as members of the nomination committee for a period until the AGM in 2020. 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 shall consist of three to nine members and that the members shall serve for a term that ends at the next AGM. All the board members are consequently up for election at the next AGM.

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, Joanna Horobin, Gisela M. Schwab, Hilde H. Steineger and Rainer Boehm, 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 6.4 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

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 and executive management are obliged to notify the board if they have a significant, direct or indirect, interest in items to be considered by the board. An overview of any transactions with related parties will be included in the annual report.

The board 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 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 has also established a clinical committee consisting of Jean-Pierre Bizzari (chair), 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 risks. 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

The remuneration of the board is proposed by the nomination committee and decided by the shareholders at the AGM 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 (RSUs) to board members that have elected to receive all or part of their remuneration determined by the AGM in advance in the form of restricted stock units. The number of restricted stock units allocated to the board members is determined

on the basis of the volume weighted share price ten 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 AGM 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 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 market days and investor presentations.

The board 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 AGMs and release of interim reports.

Deviations from the Code: None

14. Take-overs

The board has established guiding principles for how it will act in the event of a take-over offer. The board 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 will help ensure that shareholders are treated equally. If a take-over offer is made, the board 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 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 that deals 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, without management being present, at least once per year.

Deviations from the Code: None

The governance documents are also listed on the web: *https://www.nordicnanovector.com/investors-and-media/corporate-governance/governance-documents*

Approved by the board, March 26th, 2020.

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 targeted therapies.

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.
- **Deliver on promises to stakeholders**
  We honour our commitments to patients, healthcare professionals, shareholders and employees.
- **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.
- **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 stake-holders; 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®

The corporate social responsibility policy is also listed on the web:

https://www.nordicnanovector.com/investors-and-media/corporate-governance/corporate-social-responsibility

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 plays 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 has processes and measures in place to safeguard these concerns.

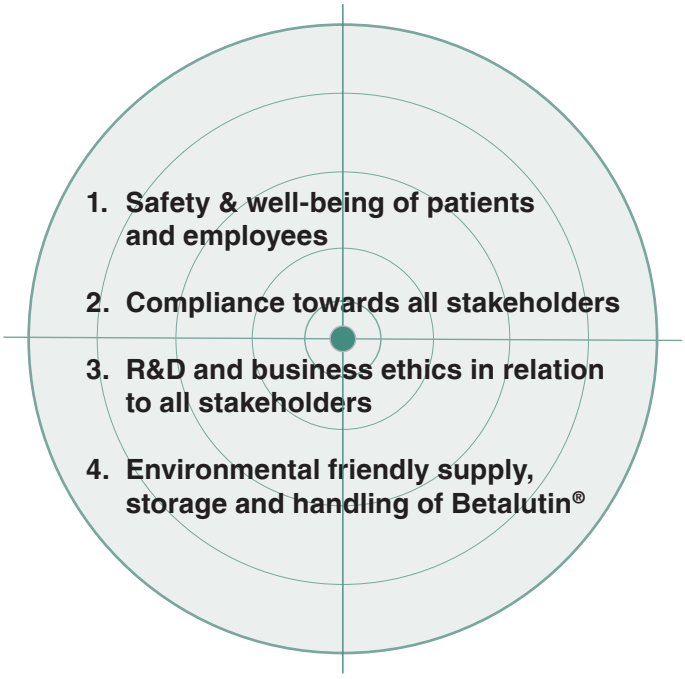
- **Integrity and high ethical standards**
  Every action taken by Nordic Nanovector, its board and employees, should be characterised by strong integrity, high ethical standards and professional practices. The company has ethical standards and guidelines for whistle blowing. Nordic Nanovector enforces 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, March 26th, 2020.

CSR focus areas



Board of directors' report

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

Nordic Nanovector's lead clinical-stage candidate is Betalutin®, a novel CD37-targeting radioimmunoconjugate 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 an indication with substantial unmet medical need, representing a growing market forecast to be worth nearly USD 29 billion in 2026.

Betalutin® has been designed to offer a new chemotherapy-free treatment modality for NHL patients, many of whom become resistant to rituximab based regimens. Betalutin® is a radioimmunotherapy that targets the CD37 receptor on the surface of B-cell malignancies, which represents an alternative tumour target to CD20 upon which the current standard-of-care NHL therapies (such as rituximab) are focused. It has been reported that 40-60 per cent of NHL patients treated with a rituximab-containing regimen are either refractory to therapy or develop resistance within five years[1].

Nordic Nanovector believes that by targeting the significant unmet needs in follicular lymphoma (FL) and diffuse large B-cell lymphoma (DLBCL), the two largest NHL types, it could access a market opportunity worth nearly USD 5 billion per year with Betalutin®.

The company's priority is to develop Betalutin® as a single administration treatment for advanced recurrent FL, the most common form of indolent NHL (iNHL). Following the encouraging efficacy and safety profile demonstrated in the first part of the LYMRIT 37-01 Phase 1/2 trial, two Betalutin® dosing regimens are being compared in a pivotal, global, randomised Phase 2b trial in 3L FL (PARADIGME) to identify the best regimen and support the application for market authorisation. The company expects to complete enrolment of patients into PARADIGME during the second half of 2020 and expects the data read-out from the trial a few months later.

Based on the LYMRIT-37-01 trial data, Betalutin® has been granted Fast Track designation (June 2018) by the FDA in the US for the treatment of (R/R) FL after at least two prior systemic therapies and Promising Innovative Medicine (PIM) designation in the UK (October 2018) for the treatment of patients with advanced R/R FL. Betalutin® received Orphan Drug designation for FL in the US and Europe in 2014.

Betalutin® in combination with rituximab has shown promising anti-tumour activity and increased survival in preclinical NHL models and this combination is now being investigated in 2L FL in the Phase 1b Archer-1 trial. The success of this programme could pave the way for Betalutin® to improve outcomes in patients with 2L FL and access a larger patient population within recurrent FL than 3L FL alone.

The company is also conducting a Phase 1 trial (LYMRIT 37-05) of single-agent Betalutin® in patients with R/R DLBCL, an aggressive form of NHL and the most common NHL subtype.

In addition, the company has finalised the discovery phase of its Alpha37 R&D collaboration with Orano Med. Alpha37 leverages Nordic Nanovector's chimeric anti-CD37 antibody, NNV003, chelated with the alpha-particle generating radionuclide lead-212; preparations for an Investigational New Drug (IND) application to enable clinical trials for potential treatment of chronic lymphocytic leukaemia (CLL) are now advancing. This project has received funding from Eurostars and the Norwegian Research Council (Forskningsrådet).

Reference

1. Abdollahi, S., et al., The Impact of Rituximab Resistance on Overall Survival Rate in Low-Grade Follicular Lymphoma. Blood, 2008. 112(11): p. 3783-3783.

IMPORTANT EVENTS

- The company raised net of NOK 445 million (USD 48 million) in private placements during the year.
- Dr Jan H. Egberts elected as new chairman of the board.
- European patent granted for Betalutin® or Humalutin® in combination with anti-CD20 antibodies for treating NHL.
- Global clinical and commercial agreement signed with ITM for the supply of no-carrier-added Lutetium-177.
- Pivotal Phase 2b PARADIGME trial: Timeline for full enrolment changed from 1H 2020 to 2H 2020 in August. 47 patients enrolled and 94 sites are open for enrolment in 24 countries as of February 26th, 2020.
- LYMRIT 37-01 (relapsed iNHL): Median duration of response was reported in September as 13.6 months for all responders and 32.0 months for complete responders.
- Archer-1: 100 per cent overall response rate (ORR) (3/3 complete responses (CR)) in the first cohort of patients in the Phase 1b study of Betalutin® + rituximab in relapsed/refractory follicular lymphoma, reported in September.
- Phase 1 DLBCL trial: Three additional patients are currently being enrolled to the final dose cohort (fourth) as one patient has experienced a reversible DLT (dose limiting toxicity), reported in December.
- The company received grant funding of NOK 6 million (~USD 0.65 million) from Eurostars, to advance the Alpha37 programme and NOK 12 million (~USD 1.3 million) from the Norwegian Research Council aimed at optimising the production yield of NNV003.
- Dr Lars Nieba, Nordic Nanovector's chief technology officer, was appointed interim chief executive officer on February 26th, 2020.

OVERVIEW OF THE BUSINESS

The board's 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 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.

Strategic priorities:

- Complete enrolment into PARADIGME to enable BLA filing for Betalutin® with a strong product profile.
- Advance clinical development of Betalutin® + rituximab combination in 2L FL.
- Progress clinical development plan with Betalutin® in DLBCL.
- Develop and execute commercialisation strategy for Betalutin® in NHL in the US.
- Opportunistically consider partnerships to further enhance shareholder return.
- Selectively extend the company's pipeline targeting other B-cell malignancies around radioimmunotherapy expertise.
- Maintain rigorous capital management.

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

Market, product and customers

Market

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 leukaemia/ small lymphocytic lymphoma, mantle cell lymphoma and marginal zone lymphoma) and T-cell lymphomas (precursor T-lymphoblastic lymphoma/leukaemia 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.

Product

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 0.23 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 represent a major benefit to patients. Nordic Nanovector is evaluating Betalutin® for treatment of both aggressive and indolent NHL (iNHL).

Customers

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 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

Clinical results highlight strong clinical profile of Betalutin® in R/R FL

Clinical results from the LYMRIT 37-01 trial demonstrate that a single administration of Betalutin® is well tolerated and indicates encouraging anti-tumour activity in patients with recurrent iNHL, especially in FL and marginal zone lymphoma (MZL).

The previously published dataset included 74 heavily pre-treated elderly patients with advanced-stage disease; all patients received Betalutin® and had six or more months of follow-up. Betalutin® treatment was well-tolerated with the most common adverse events reported being transient Grade 3/4 neutropenia and thrombocytopenia, with limited non-haematologic toxicity.

Encouraging anti-tumour activity was seen, with a 61 per cent, overall response rate (ORR) and 28 per cent complete response (CR), especially in the subset of FL patients (n=57) who received two or more previous treatments (ORR 65 per cent, CR 28 per cent). Median duration of response (mDoR), updated at the company's R&D Day in September 2019, was over one year (13.6 months) for all responders and nearly three years (32.0 months) for complete responders (vs 9.0 and 20.7 months, respectively, reported at ASH 2018). Median follow-up time for responders was 30.0 months (range: 12.0 - 60.7 months). Follow-up for mDoR is still ongoing.

PARADIGME update

Based on the results of LYMRIT-37-01, two promising Betalutin® dosing regimens were identified and are being compared in PARADIGME a pivotal, global, randomised Phase 2b 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 in more than 20 countries.

As of February 26th, 2020, 47 patients have been enrolled in the trial and PARADIGME is open for patient enrolment at 94 sites in 24 countries, including the US. The company is working closely with the contract research organisation (CRO) managing the trial and with participating clinical investigators to recruit patients as quickly as possible. The company is looking into the current strategy and operational trial initiatives and is still aiming to complete the patient enrolment in PARADIGME in the second half of 2020.

Archer-1 progressing: a novel dual-targeting approach by Betalutin® + rituximab in 2L FL

Betalutin® and rituximab used in combination significantly prolonged overall survival in a pre-clinical mouse model of NHL compared to treatment with either agent alone[2], possibly by reversing downregulation of CD20 and resistance to rituximab. The combination of anti-CD37 and anti-CD20 modalities could therefore represent a novel dual immunotherapy approach for the treatment of 2L FL patients.

Rituximab 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 rituximab-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 rituximab-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 company believes that the combination of Betalutin® with rituximab could benefit 2L FL patients based on these encouraging preclinical findings. For 2L relapsed FL this could mean access to a market worth an estimated USD 1.5 billion per year[3], more than twice the opportunity in 3L R/R FL, the priority indication for single-agent Betalutin® in PARADIGME.

To assess the clinical safety and preliminary activity of this combination, Nordic Nanovector initiated Archer-1, a Phase 1b open-label, single-arm, multi-centre dose-escalation trial in 20–25 patients with R/R 2L FL. Patients will receive Betalutin® followed by four weekly doses of rituximab. Responding patients will go on to receive up to two years of maintenance rituximab therapy. The primary endpoint is safety, and secondary endpoints include ORR, DoR, PFS and OS.

In May, following a review of safety data from the first cohort of three patients receiving 10 MBq/kg Betalutin® with a pre-dose of 40 mg lilotomab, the trial was advanced into the second cohort of 3-6 patients for whom the Betalutin® dose was increased to 15 MBq/kg. At the R&D Day in September, the company disclosed results from the first cohort following an evaluation for preliminary efficacy in which all three patients had a complete response (ORR 100 per cent). Full data read out from this Phase 1b study is expected in the second half of 2020.

Phase 1 trial with Betalutin® in DLBCL – additional patients to be recruited

DLBCL is an aggressive form of NHL and accounts for up to 43 per cent of all cases, making it the most common type of NHL. The most widely used first-line treatment regimen for DLBCL is rituximab-CHOP (cyclophosphamide, doxorubicin, vincristine and prednisone). However, approximately 40 per cent of patients relapse following 1L therapy, and only 30-40 per cent of relapsed patients respond with subsequent high-dose chemotherapy followed by stem cell transplant (SCT)[4]. There are currently very few therapeutic options for patients not eligible for SCT, which makes relapsed DLBCL a serious unmet medical need. The number of diagnosed cases of DLBCL in the US and Europe in 2016 that relapse after 1L and 2L treatment was approximately 18 000 and 10 000, respectively[3]. DLBCL tumour cells express CD37 on their surfaces and this offers a clear rationale for investigating Betalutin® as a single-administration therapy for R/R DLBCL, a market opportunity worth approximately USD 2.7 billion per year.

LYMRIT 37-05 is a Phase 1 open-label, single-arm, dose-escalation trial designed to assess the safety, tolerability, pharmacokinetic profile and preliminary anti-tumour activity of Betalutin® in up to 24 patients with R/R DLBCL not eligible for SCT. The trial aims to identify a single dosing regimen for testing in an expansion cohort.

In December, the company announced that three additional patients are being enrolled for further evaluation of the final dose cohort as one patient experienced a reversible DLT (dose limiting toxicity). No safety issues were identified in the three completed cohorts and evidence of disease control has been noted in some of the enrolled patients.

References

2. Repetto-Llamazares, A.H.V. et al. Combination of ^{177}Lu-lilotomab with rituximab significantly improves the therapeutic outcome in preclinical models of non-Hodgkin's lymphoma. Eur. J. Haematol., 2018 Oct;101(4):522-531.

3. Raut, L.S. and Chakrabarti, P.P.: Management of relapsed-refractory diffuse large B-cell lymphoma (2014) South Asian J. Cancer 3(1): 66–70-

4. Decision Resources, Non-Hodgkin's Lymphoma 2015.

Encouraging preclinical results with CD37-targeting alpha-therapy emerging from R&D collaboration

The company has an R&D collaboration underway with Orano Med to develop and investigate Alpha37, a next generation targeted alpha therapy comprising Nordic Nanovector's chimeric anti-CD37 antibody (NNV003) with the alpha-particle generator lead-212 (^{212}Pb), for the treatment of B-cell malignancies.

Alpha-emitting radionuclides have demonstrated good potential for targeted cancer therapies because the high energy of the alpha-particles is limited to a very short distance (50–100 µm or a few cell diameters) resulting in localised cytotoxicity while sparing surrounding healthy tissues. The development of Alpha37 therefore offers the potential to treat leukaemias and lymphomas where there is no substantial tumour mass and tumour cells are near healthy tissues.

In October, Nordic Nanovector and its collaborators at Orano Med presented data and analyses from preclinical studies with Alpha37 for the treatment of leukaemia and lymphoma at the 2019 Annual Congress of the European Association of Nuclear Medicine (EANM). In the study, the efficacy of Alpha37 was superior to ibrutinib in a CLL mouse model. Ibrutinib is a Bruton's tyrosine kinase (BTK) inhibitor that forms part of the standard of care for chronic lymphocytic leukaemia (CLL) and NHL, alongside chemotherapy and anti-CD20 immunotherapy. The study showed that a single injection of Alpha37 is safe and effective for the treatment of CD37-positive CLL and NHL in preclinical models, with promising efficacy in an ibrutinib-resistant CLL model.

Preparations for an IND application for potential treatment of chronic lymphocytic leukaemia (CLL) are now advancing. Nordic Nanovector has received grant funding of NOK 6 million (~USD 0.65 million) from Eurostars, a Europe-wide R&D funding programme, to advance the Alpha37 programme. The company has also received non-dilutive funding of NOK 12 million (~USD 1.3 million) from the Norwegian Research Council (Forskningsrådet) aimed at optimising the production yield of NNV003. This latter project will be conducted in partnership with SINTEF Biotechnology (Trondheim, Norway), one of Europe's largest independent research institutes.

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 medical need in the key sub-types (FL, DLBCL, MZL). 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 the convenience of a one-time administration for patients and physicians. This attractive profile positions Betalutin® competitively to serve the unmet needs of patients who either are frail, elderly and have co-morbidities that rule out chemotherapy, or have become 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 the treatment of NHL patients, can refer a patient to a radiation oncologist (RadOnc) or a Nuclear Medicine (NM) specialist to receive a radiopharmaceutical product (this process is also called "referral pathway"), when they are convinced that is the best treatment option for their patient. The results have equipped the company with valuable knowledge about the US healthcare environment across different settings of care, the NHL market and the target customers Nordic Nanovector should focus on while preparing for commercialisation.

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®.

In particular, in 2019, significant progress was made in the implementation of such priority strategies, including:

- Continued engagement of thought leaders in NHL centers of excellence in both the US and Europe, through the team of field-based Medical Science Liaisons and the company's leadership team.

- Further definition of market access deliverables required to secure timely reimbursement for Betalutin® by country payers, supported by continued assessment of product value and acceptable pricing ranges across regions.

- Understanding of the distribution practices for radiopharmaceuticals in the US market, through an extensive distribution and fulfilment strategy research project, resulting in the recommendation of the distribution and customer service model for the US launch.

- Assessment of the ideal go-to-market strategy for a successful launch in both the US and Europe, resulting in the recommendation of the ideal Launch Blue-Print, including size and lay-out of the launch infrastructure, roles and responsibilities, headcount deployment plan and timelines.

Manufacturing and supply chain management

With PARADIGME underway, Nordic Nanovector has been increasing its focus and investment on its pre-commercialisation CMC (Chemistry, Manufacturing and Controls) strategy. As part of this strategy, the company has established and is validating the manufacturing and supply chain for Betalutin®, which involves experienced manufacturers in Norway and internationally, including the Institute for Energy Technology (IFE) and Diatec in Norway and 3P Biopharmaceuticals and Liof Pharma (previously called Praxis) in Spain.

The company has signed a long-term agreement with Isotope Technologies Garching GmbH (ITG) to ensure the supply of GMP (Good Manufacturing Practice) quality, no-carrier-added lutetium-177, a key component of Betalutin®, for clinical and commercial uses.

INTELLECTUAL PROPERTY

The company has a "composition of matter" patent on the complete antibody-chelator-radionuclide complex of Betalutin® and has also filed divisional applications that cover chimeric versions. 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®. The patent application has now

been focused on Europe, where the patent is expected to be allowed shortly.

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. Patent has been granted in Australia, Israel, Mexico, South Africa, Japan, Korea, China, Philippines, Singapore, Ukraine, Russia and Europe (32 countries including Norway). Applications are pending in US, Hong Kong, New Zealand, Thailand, Brazil, Canada, Indonesia and India.

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 pending in 20 countries. 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, China, European Union, India, Israel, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, South Korea, Switzerland and United States of America. Application for protection of the trademark Humalutin® has been filed and approved in Australia, Canada, China, European Union, Hong Kong, India, Israel, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Korea, Switzerland and the United States of America.

FINANCIAL REVIEW

(All amounts in brackets are comparative figures for 2018 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, 2019.

Income statement

Total operating revenues for 2019 amounted to NOK 0.0 million (NOK 0.0 million).

Total operating expenses increased to NOK 440.4 million (NOK 340.0 million), primarily reflecting manufacturing development activities to prepare for Biologics License Application (BLA) readiness for Betalutin®.

Payroll and related expenses rose to NOK 96.4 million (NOK 79.2 million) due to increased number of employees. Other expenses amounted to NOK 331.3 million (NOK 258.6 million), the increase being driven by clinical and manufacturing development activities.

Operating loss for 2019 ended at NOK 440.4 million (loss of NOK 340.0 million).

Net financial items for 2019 amounted to NOK 7.7 million (NOK 3.0 million), driven by currency fluctuations on bank deposits, as well as interest income. Comprehensive loss for the year was NOK 433.2 million (loss of NOK 336.8 million).

Cash flow and financial position

Net cash flow from operating activities in 2019 was negative NOK 410.6 million (negative NOK 326.6 million) due to higher operational activities. Net cash flow from investing activities ended at NOK 4.5 million (NOK 2.4 million), primarily related to received interest on bank deposits. Net cash flow from financing activities amounted to NOK 434.9 million (NOK 8.6 million), mainly due to the private placement announced in the first and the fourth quarter of 2019.

Exchange rate fluctuations impacted cash and cash equivalents by NOK 1.9 million in 2019 (negative NOK 0.9 million). Cash and cash equivalents amounted to NOK 470.8 million at December 31st, 2019, up from NOK 440.1 million at the end of December 2018.

Total assets were NOK 515.7 million at the end of 2019, up from NOK 473.6 million at the end of 2018. The increase was primarily due to higher cash and cash equivalents position.

Total shareholders' equity at December 31st, 2019, was NOK 388.0 million (NOK 363.2 million at year-end 2018), corresponding to an equity ratio of 75.2 per cent (76.7 per cent at year-end 2018).

Total liabilities were NOK 127.7 million, up from NOK 110.4 million at the end of 2018, driven by increase of accounts payable.

Parent company

Nordic Nanovector ASA (the parent company) recorded a loss of NOK 430.5 million for 2019 (NOK 340.3 million). Total equity amounted to NOK 376.9 million at December 31st, 2019 (NOK 357.9 million). The equity ratio of the parent company was 75.3 per cent (78.1 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. 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 (preclinical, clinical, medical affairs, regulatory and CMC activities) expenses amounted to 354.9 million in 2019 (NOK 259.7 million), accounting for 80.0 per cent (73.9 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 are an integral part of Nordic Nanovector's operations.

Operational and market risks

- The company has ongoing 3 clinical trials, ranging from Phase 1 to 2b for the 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.

- 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 relies upon third-party suppliers for clinical trial execution. 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. 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 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 programme may not be sufficient to cover claims and such insurance may not be available in the future on acceptable terms, if at all.

- 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. The company relies upon third-party suppliers for manufacturing of drug supply. There is a risk that the company cannot enter into or maintain satisfactory agreements with third-party suppliers, like 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. Product manufacturing and quality issues may result in a potential shortage of supplies.

- The company will need approvals from the FDA to market Betalutin® in the US, and from EMA to market in the European Union, 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.

- Lack of adequate quality systems.

- 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.

- In order to execute the clinical programmes, prepare for filing and launch the products, the company will require new capital in the future. The company's current cash balance is not expected to fund the company until a commercial stage has been reached. Adequate sources of capital funding may not be available when needed or may not be available on favourable terms. The company's ability to obtain such additional capital or financing will depend in part upon prevailing market conditions, as well as conditions of its business and its operating results, and those factors may affect its efforts to arrange additional financing on satisfactory 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®.

- Nordic Nanovector does not yet have a customer-facing infrastructure and would need to on-board the right people and capabilities in order to commercialise the approved product candidates. In addition, Nordic Nanovector has to build-up a commercial supply chain to enable a secure market supply. This process will be expensive and time-consuming. Many of the current and future competitors already have these capabilities in house and, in addition, have access to greater capital resources. As a result, Betalutin®'s launch readiness, reimbursed price and market uptake may be impacted.

- The company operates in a highly competitive industry, and the competitive landscape in NHL is becoming more and more crowded. Development of new innovative agents by other companies may render Nordic Nanovector's product candidates or technologies obsolete or non-competitive.

- In addition, the company's lead asset 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 normally treated by haematologists and oncologists, and the need for patient referral may potentially represent a barrier that can affect market acceptance.

- 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.

- Nordic Nanovector's ability to execute on its strategy depends on its ability to attract, develop and retain qualified employees.

- The company's board and management continuously evaluate the impact the COVID-19 outbreak has on our business. Our priority is protecting our employees and making sure patients in clinical trials have access to Betalutin®. The company is adapting its social responsibility, following the governmental guidelines regarding travel restrictions, remote work for our employees and quarantine recommendations by the Health authorities. Crisis management is established, and business contingency plans have been prepared in cooperation with our contract research and manufacturing organisations (CROs, CMOs). While uncertainty remains around the duration, severity and geographic scope of the COVID-19 outbreak, the company may face delays in patient enrollment due to re-prioritisation of hospital activities, healthcare staff or patients affected by the virus or supply issues due to closure of borders between countries. The long-term situation may impact regulatory meetings, monitoring of patients and motivational visits at sites. This can lead to delays in finalisation of clinical trials and delayed data read-out. Financing depends in part upon the prevailing market and the COVID-19 has led to an investor turmoil. This may affect the company's ability to raise funds going forward, and activities may need to be reduced according to funds available. The company has a currency hedge in place for future commitments in other currencies than NOK.

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 except leasing liabilities, where the underlying interest rate is determined when the leasing agreement starts. Bank deposits are exposed to market fluctuations of interest rates, which impact the financial income. The Nordic Nanovector group had NOK 5.6 million (NOK 4.6 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 2019 amounted to an equivalent of NOK 83.5 million (NOK 138.6 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 2019. 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.

The company has been successful in raising new funds totalling NOK 468.1 million in gross proceeds during the year, providing the financial resources to the end of 2020. Management will continue to focus on efficient operations, close monitoring and planning of the cash resources, and maintaining a clear business development strategy. In order to complete the biologics license application (BLA) to gain marketing approval of Betalutin® and prepare for launch, the company will require new capital.

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 2019 are included in the section "subsequent events", 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 2019 amounted to NOK 430.5 million (NOK 340.3 million). The board 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, 2019, Nordic Nanovector ASA had 66 143 363 shares outstanding. The number of shareholders increased to 10 401 (8 276). At year-end 2019, 18 per cent (22 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 2019 was NOK 31.7 (NOK 50.9), corresponding to a total market capitalisation for the company of NOK 2 096 744 million (NOK 2 516 216 million).

Please refer to note 6.3 for information on options and performance share units (PSUs).

SUBSEQUENT EVENTS
Dr Lars Nieba, Nordic Nanovector's chief technology officer, was appointed interim chief executive officer in February 2020 to replace Eduardo Bravo, who left the company February 26th, 2020.

In March 2020 the company announced that Dr Dominic Smethurst has been appointed Interim Chief Medical Officer with immediate effect. Dr Smethurst replaces Dr Lisa Rojkjaer who will leave Nordic Nanovector to pursue other career opportunities.

The company's board and management continuously evaluate the impact the COVID-19 outbreak has on our business. Our priority is protecting our employees and making sure patients in clinical trials have access to Betalutin®. The company is adapting its social responsibility, following the governmental guidelines regarding travel restrictions, remote work for our employees and quarantine recommendations by the Health authorities. Crisis management is established, and business contingency plans have been prepared in cooperation with our contract research and manufacturing organisations (CROs, CMOs). While uncertainty remains around the duration, severity and geographic scope of the COVID-19 outbreak, the company may face delays in patient enrollment due to re-prioritisation of hospital activities, healthcare staff or patients affected by the virus or supply issues due to closure of borders between countries. The long-term situation may impact regulatory meetings, monitoring of patients and motivational visits at sites. This can lead to delays in finalisation of clinical trials and delayed data read-out. Financing depends in part upon the prevailing market and the COVID-19 has led to an investor turmoil. This may affect the company's ability to raise funds going forward, and activities may need to be reduced according to funds available. The company has a currency hedge in place for future commitments in other currencies than NOK.

Allocation of Performance Share Units (PSUs)
The board of Nordic Nanovector ASA decided on March 24th, 2020 to grant 561 500 PSUs to employees in accordance with the authorisation granted at the annual general meeting held on April 25th, 2019.

The PSUs are granted without consideration. Of the 561 500 allocated PSUs, 350 000 PSUs have been granted to members of the company's executive management, 17 000 PSUs have been granted to new employees and 194 500 PSUs have been granted to other current employees.

The PSUs allocated to the management of the company is in accordance with the board's declaration on salaries and other remuneration to the senior executive management, as approved by the company's AGM.

As of March 26th, 2020, the total number of outstanding options and PSUs are 1 718 410 and 986 750 respectively. Subject to all vesting conditions being fulfilled exercise of the options and PSUs would create a 3,93 per cent dilution of the outstanding shares on a fully diluted basis.

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 include ethical business practices, reliable financial reporting and an environment of compliance with legislation and regulations.

Nordic Nanovector ASA's board 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 in January 2015 and updated on September 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 issued 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 require that the company reports on its compliance with the recommendations of the Code. Both the continuing obligations and the Code require 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 annual statement on corporate governance can be found on page 37 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 targeted therapies.

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 are approved by the company's board. 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 2019. Sick leave in Nordic Nanovector ASA totalled 192,2 working days in 2019. The breakdown of sickness absence in 2019 corresponds to 2.4 per cent of total working days. This compares to the 463,72 working days and 4.7 per cent of sick leave (short-term and long-term sickness absence) reported in 2018.

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 2019, the group employed 48 (38) people, of which 3 part time employees and 11 employed in subsidiaries. Nordic Nanovector ASA employs 37 of the Nordic Nanovector group's 48 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 consists of 42.9 per cent women. The executive management team consists of 67 per cent women and 33 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 or 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

No changes to the board after February 18th, 2019.

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 on pages 34 and 35 in this report.

Strengthening the management team

During 2019, the company has been strengthening its organisation with a number of key hires, particularly with respect to the commercial planning for Betalutin®. These include Dr Lars Nieba, who was appointed as chief technology officer to drive the company's CMC strategy, and Dr Gabriele Elbl joined as VP global regulatory affairs to lead the company's regulatory affairs strategy for the US and other relevant global markets.

In February 2020, Lars Nieba was appointed interim chief executive officer replacing Eduardo Bravo, who left the company. Dr Nieba joined Nordic Nanovector on December 1st, 2019 from Bayer AG where he served in various operational and strategic roles, Dr Nieba was most recently responsible for driving Bayer's Chemistry, Manufacturing and Controls (CMC) strategy for biologicals. He joined Bayer in 2016 following 13 years at F. Hoffmann-La Roche Ltd., where he held various leadership roles in clinical, operations, supply planning, biologics technology and technical business development. Prior to that, Dr Nieba worked for Cytos Biotechnology where he served as Head of Therapeutic Vaccine Research.

Dr Nieba gained a PhD from the Max-Planck-Institute for Biochemistry, Munich and Institute for Biochemistry at the University of Zurich, and an Executive MBA from the University of St. Gallen, Switzerland.

For more information about the members of the management team, please see the separate overview of the management on pages 30, 31 and 32 in this report.

OUTLOOK

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

Betalutin®, the company's most advanced radioimmunotherapy candidate, is developing a highly differentiated, competitive, clinical profile. Nordic Nanovector is confident that Betalutin® could become an attractive and convenient once-only therapeutic option, which, based on detailed market research, has the potential to be commercially successful.

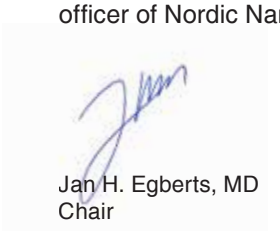
Betalutin® is being developed for recurrent FL, based on the promising results from the LYMRIT 37-01 Phase 1/2 clinical trial. The company's pivotal Phase 2b PARADIGME trial with Betalutin® in 3L R/R FL is underway. The company will, under its new management, look into the current strategy and operational trial initiatives.

We still aim to complete patient enrolment into PARADIGME in the second half of 2020. The study's preliminary data read-out is planned a few months later. A BLA filing to gain marketing approval for Betalutin® is expected to start in the first half of 2021. Nordic Nanovector intends to retain marketing rights and to actively participate in the commercialisation of Betalutin® in core markets.

Nordic Nanovector intends to maximise the value of Betalutin® across the major types of NHL (FL and DLBCL) and in earlier treatment lines in combination with standard treatments. The company is also evaluating opportunities with other CD37-targeting radioimmunotherapies across NHL and other haematological cancer indications.

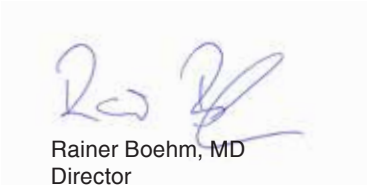
Oslo, March 26th, 2020

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



Jan H. Egberts, MD
Chair

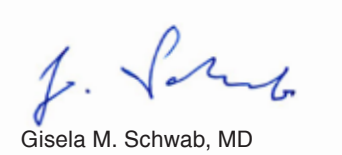
Jean-Pierre Bizzari, MD
Director



Rainer Boehm, MD
Director

Joanna C Horobin
Director

Per Samuelsson
Director



Gisela M. Schwab, MD
Director

Hilde Hermansen Steineger, PhD
Director

Dr Lars Nieba
Interim CEO and Chief Technology Officer

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period from January 1st, to December 31st, 2019 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 results of Nordic Nanovector ASA and the Nordic Nanovector group.

We also confirm, to the best of our knowledge, that the board' 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 26th, 2020

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 H. Steineger, PhD
Director

Dr Lars Nieba
Interim CEO and Chief Technology Officer

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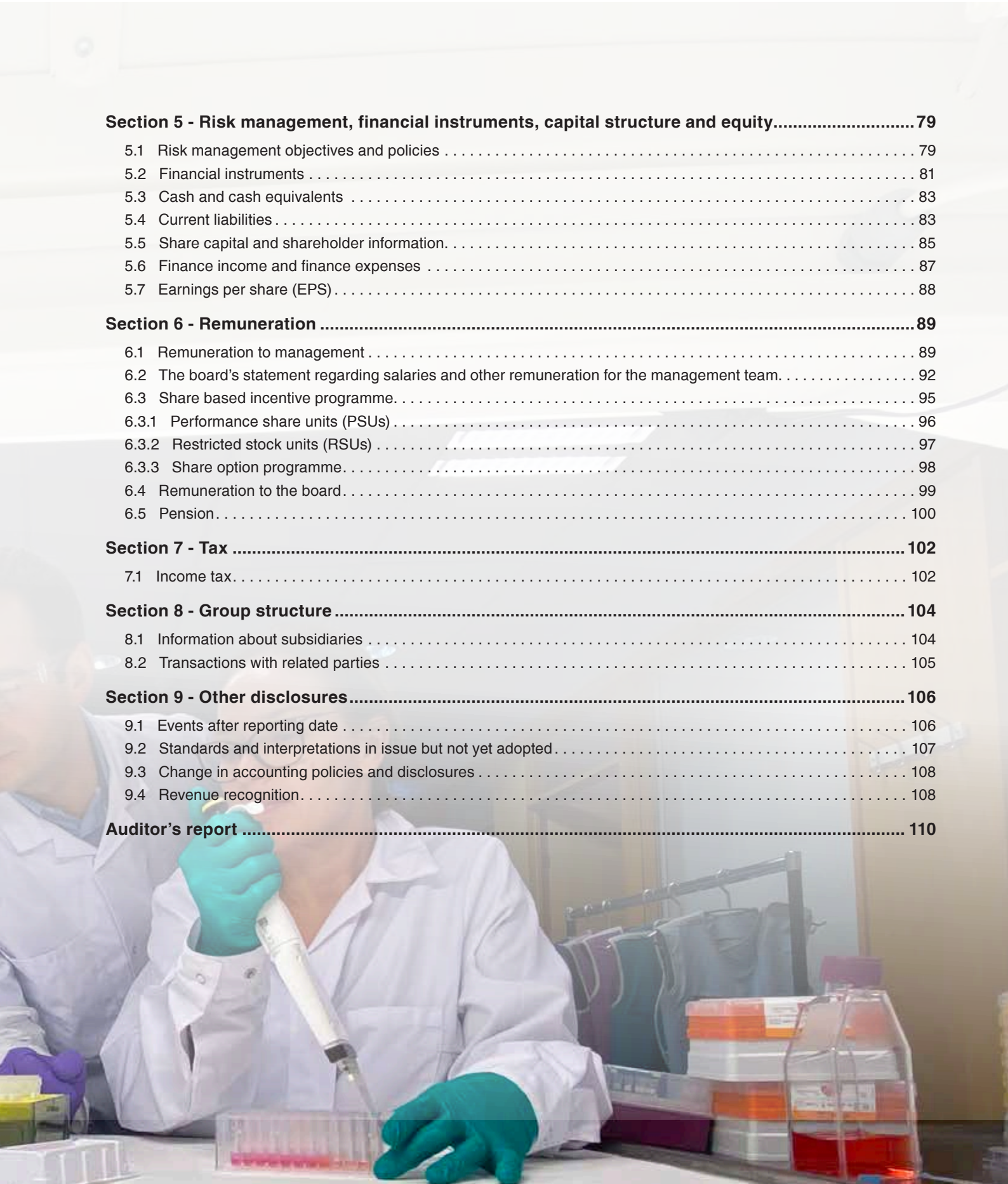


Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

PARENT				GROUP	
2018	2019	(Amounts in NOK 1 000)	Note	2019	2018
0	**0**	Revenues	9.4	**0**	0
0	**0**	**Total operating revenue**		**0**	0
40 758	**53 064**	Payroll and related expenses	3.2	**96 409**	79 208
2 252	**12 659**	Depreciation	4.1, 4.2	**12 659**	2 252
300 562	**371 953**	Other operating expenses	3.1	**331 284**	258 553
343 572	**437 676**	**Total operating expenses**		**440 352**	340 013
-343 572	**-437 676**	**Operating profit (loss)**		**-440 352**	-340 013
		Finance income and finance expenses			
4 570	**5 607**	Finance income	5.6	**5 635**	4 584
1	**1 015**	Finance expenses	5.6	**1 018**	2
-1 275	**2 714**	Net currency gains (loss)	5.6	**3 076**	-1 541
3 294	**7 306**	**Net finance income (expenses)**		**7 693**	3 041
-340 278	**-430 370**	**Loss before income tax**		**-432 659**	-336 972
-35	**-132**	Income tax	7.1	**-938**	-800
-340 313	**-430 502**	**Loss for the year**		**-433 597**	-337 772
		Other comprehensive income (loss), net of income tax to be reclassified to profit and loss in subsequent periods			
0	**0**	Translation effects		**326**	369
		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	6.5	**101**	633
-340 313	**-430 502**	**Total comprehensive income (loss) for the year**		**-433 170**	-336 770
-340 313	**-430 502**	Loss for the year attributable to owners of the parent		**-433 597**	-337 772
-340 313	**-430 502**	**Total comprehensive income (loss) for the year attributable to owners of the parent**		**-433 170**	-336 770
		Earnings (loss) per share			
-6,93	**-7,61**	Basic and diluted earnings (loss) per share	5.7	**-7,66**	-6,88

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

Consolidated statement of financial position

For the year ended 31 December

PARENT 2018	PARENT 2019	(Amounts in NOK 1 000)	Note	GROUP 2019	GROUP 2018
		ASSETS			
		Non-current assets			
4 082	**2 648**	Property, plant and equipment	4.1	**2 648**	4 082
0	**17 747**	Right-of-use assets	4.2	**17 747**	0
137	**137**	Shares in subsidiaries	8.1	**0**	0
4 219	**20 532**	**Total non-current assets**		**20 395**	4 082
		Current assets			
		Receivables			
26 247	**22 612**	Other current receivables and prepayments	3.4	**24 499**	29 435
26 247	**22 612**	**Total current receivables**		**24 499**	29 435
427 625	**457 145**	Cash and cash equivalents	5.3	**470 824**	440 069
453 872	**479 757**	**Total current assets**		**495 323**	469 504
458 091	**500 289**	**TOTAL ASSETS**		**515 718**	473 586
		EQUITY AND LIABILITIES			
		Equity			
9 886	**13 229**	Share capital	5.5	**13 229**	9 886
593 399	**335 336**	Share premium		**335 336**	593 399
24 639	**28 853**	Other paid in capital		**69 025**	56 320
-269 993	**-495**	Retained earnings		**-29 582**	-296 412
357 931	**376 923**	**Total equity**		**388 008**	363 193
		Liabilities			
		Non-current liabilities			
0	**4 571**	Lease liability	4.2	**4 571**	0
0	**0**	Net employee defined benefit liabilities	6.5	**3 348**	3 371
0	**4 571**	**Total non-current liabilities**		**7 919**	3 371
		Current liabilities			
32 092	**44 268**	Accounts payable	5.4	**45 956**	34 040
14 201	**9 718**	Current liabilities to group companies	5.4, 8.2	**0**	0
35	**131**	Tax payable	5.4, 7.1	**949**	804
0	**13 751**	Lease liability	4.2	**13 751**	0
53 832	**50 927**	Other current liabilities	3.6, 5.4	**59 135**	72 178
100 160	**118 795**	**Total current liabilities**		**119 791**	107 022
100 160	**123 366**	**Total liabilities**		**127 710**	110 393
458 091	**500 289**	**TOTAL EQUITY AND LIABILITIES**		**515 718**	473 586

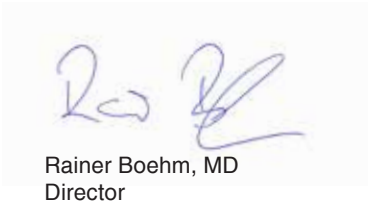
The accompanying notes are an integral part of these financial statements.

Oslo, March 26th, 2020

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

Jan H. Egberts, MD
Chair

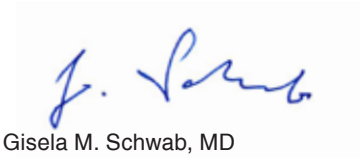
Jean-Pierre Bizzari, MD
Director



Rainer Boehm, MD
Director

Joanna C Horobin
Director

Per Samuelsson
Director



Gisela M. Schwab, MD
Director

Hilde Hermansen Steineger, PhD
Director

Dr Lars Nieba
Interim CEO and Chief Technology Officer

Consolidated statement of changes in equity – Group

For the year ended 31 December

GROUP (Amounts in NOK 1 000)	Note	Share capital	Share premium	Other paid in capital	Accumu-lated losses	Trans-lation effects	Remeasure-ment gains (losses)	Total equity
Balance at 01.01.2018		**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**
Loss for the year					-433 597			-433 597
Other comprehensive income (loss) for the year, net of income tax						326	101	427
Total comprehensive income for the year					**-433 597**	**326**	**101**	**-433 170**
Recognition of share based payments - options and PSUs	3.2, 6.3			11 271				11 271
Recognition of share based payments - RSUs	3.1, 6.3			1 434				1 434
Issue of ordinary shares	5.5	3 207	464 865					468 072
Issue of ordinary shares under share options and RSUs	5.5	136	15 450					15 586
Share issue costs			-38 378					-38 378
Reclassification of accumulated losses			-700 000		700 000			0
Balance at 31.12.2019		**13 229**	**335 336**	**69 025**	**-28 806**	**329**	**-1 105**	**388 008**

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

Consolidated statement of changes in equity – Parent

For the year ended 31 December

PARENT (Amounts in NOK 1 000)	Note	Share capital	Share premium	Other paid in capital	Accumu-lated losses	Total equity
Balance at 01.01.2018		**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 and PSUs	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**
Loss for the year					-430 502	-430 502
Other comprehensive income (loss) for the year, net of income tax					0	0
Total comprehensive income for the year					**-430 502**	**-430 502**
Recognition of share based payments - options and PSUs	3.2, 6.3			2 781		2 781
Recognition of share based payments - RSUs	3.1, 6.3			1 434		1 434
Issue of ordinary shares	5.5	3 207	464 865			468 072
Issue of ordinary shares under share options and RSUs	5.5	136	15 450			15 586
Share issue costs			-38 378			-38 378
Reclassification of accumulated losses			-700 000		700 000	0
Balance at 31.12.2019		**13 229**	**335 336**	**28 853**	**-495**	**376 923**

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

Consolidated statement of cash flows

For the year ended 31 December

PARENT 2018	PARENT 2019	(Amounts in NOK 1 000)	Note	GROUP 2019	GROUP 2018
		Cash flows from operating activities			
-340 278	**-430 370**	**Loss before income tax**		**-432 659**	-336 972
		Adjustments for:			
0	**771**	Interest paid	5.6	**771**	0
-4 570	**-5 595**	Interest received	5.6	**-5 611**	-4 570
5 508	**2 781**	Share based payment expense employees	3.2, 6.3	**11 271**	10 271
1 498	**1 434**	Share based payment expense restricted share units (RSUs) board	3.1, 6.3	**1 434**	1 498
-11	**-36**	Taxes paid	7.1	**-805**	-487
2 252	**12 659**	Depreciation	4.1	**12 659**	2 252
866	**-1 907**	Currency (gains) losses not related to operating activities (unrealised)	5.6	**-1 907**	866
1 414	**8 423**	Change in net working capital e.g.		**4 226**	515
-333 321	**-411 840**	**Net cash flows from operating activities**		**-410 621**	-326 627
		Cash flows from investing activities			
-2 159	**-1 066**	Investment in property plant and equipment	4.1	**-1 066**	-2 159
4 570	**5 595**	Interest received	5.6	**5 611**	4 570
2 411	**4 529**	**Net cash flows from investing activities**		**4 545**	2 411
		Cash flows from financing activities			
8 676	**483 657**	Gross proceeds from equity issue	5.5	**483 657**	8 676
-96	**-38 378**	Share issue cost		**-38 378**	-96
0	**-9 584**	Payment of principle portion of lease liabilities	4.2	**-9 584**	0
0	**-771**	Interest paid	5.6	**-771**	0
8 580	**434 924**	**Net cash flows from financing activities**		**434 924**	8 580
-866	**1 907**	Effects of exchange rate changes on cash and cash equivalents	5.6	**1 907**	-866
-323 196	**29 520**	Net change in bank deposits, cash and equivalents		**30 755**	-316 502
750 821	**427 625**	Cash and equivalents at beginning of year		**440 069**	756 571
427 625	**457 145**	**Cash and equivalents at end of year**	5.3	**470 824**	440 069

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 targeted therapies to address major unmet medical needs and advance cancer care.

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 retains global marketing rights to Betalutin® and intends to actively participate in the commercialisation of Betalutin® in the US and other major markets.

These financial statements were approved for issue by the board on March 26th, 2020.

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, 2019 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, 2019. 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:

- Power 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 power 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	
2018	2019	(Amounts in NOK 1 000)	Note	2019	2018
213 981	**289 443**	Research and development costs	3.5	**300 616**	222 274
-9 308	**-10 319**	Government grants	3.3	**-10 319**	-9 308
1 498	**1 434**	Cost of share based payment (RSUs)	6.3	**1 434**	1 498
56 769	**59 185**	Charges from group companies	8.2	**0**	0
37 622	**32 210**	Other administrative costs		**39 553**	44 089
300 562	**371 953**	**Total other operating expenses**		**331 284**	258 553

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	
2018	2019	(Amounts in NOK 1 000)	Note	2019	2018
31 530	**43 331**	Salaries and bonus	6.2, 6.3	**73 289**	62 180
5 870	**6 744**	Social security tax		**10 755**	10 603
2 117	**2 542**	Pension expense	6.5	**3 750**	3 424
5 508	**2 781**	Share based payment employees	6.3	**11 271**	10 271
-3 034	**-2 435**	Accrued employer's social security on share based payment	6.3	**-3 781**	-6 971
1 269	**1 581**	Other		**2 605**	2 203
-2 502	**-1 480**	Government grants	3.3	**-1 480**	-2 502
40 758	**53 064**	**Total payroll and related expenses**		**96 409**	79 208
29.6	**31.9**	**Average number of full-time equivalent employees**		**44.9**	37.8

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 for 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	
2018	2019	(Amounts in NOK 1 000)	Note	2019	2018
		Government grants have been recognised in the statement of profit or loss as a reduction for the related expenses with the following amounts:			
2 502	**1 480**	Payroll and related expenses	3.2	**1 480**	2 502
9 308	**10 319**	Other operating expenses	3.1	**10 319**	9 308
11 810	**11 799**	**Total**		**11 799**	11 810
		Grants receivable are detailed as follows:			
167	**0**	Grants from the Research Council BIA		**0**	167
246	**213**	Grants from the Research Council PhD		**213**	246
0	**1 000**	Grants from the Research Council Eurostars		**1 000**	0
7 414	**9 000**	Grants from SkatteFUNN		**9 000**	7 414
7 827	**10 213**	**Total 31.12**	3.4	**10 213**	7 827

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 was 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 was distributed to the company over the course of three years and eight months. For the financial period ended December 31st 2019, the company has recognised NOK 1.2 million (as of December 31st, 2018: NOK 3.5 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, 2019, the company has recognised NOK 9.0 million compared to NOK 7.5 million for the same period in 2018. 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, 2019, the company recognised NOK 0.4 million (December 31st, 2018: NOK 0.7 million) partly as a reduction of payroll and related expenses and other operating expenses.

4) The company has finalised the discovery phase of its Alpha37 R&D collaboration with Orano Med. Alpha37 leverages Nordic Nanovector's chimeric anti-CD37 antibody, NNV003, chelated with the alpha particle generating radionuclide 212Pb; preparations for an IND application for potential treatment of NHL and chronic lymphocytic leukaemia (CLL) are now advancing. In 2019, Nordic Nanovector was granted EUR 0.6 million from Eurostars in funding for this project. For the financial period ended December 31st, 2019, the company recognised NOK 1.0 million partly as a reduction of payroll and related expenses and other operating expenses.

5) In 2019, the Research Council awarded miscellaneous de minimis aid year to date 2019 up to NOK 0.2 million. For the financial period ended December 31st, 2019, the company recognised NOK 0.2 million (December 31st, 2018: NOK 0.0 million) partly as a reduction of payroll and related expenses and other operating expenses.

3.4 OTHER CURRENT RECEIVABLES AND PREPAYMENTS

Accounting Policy

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

PARENT				GROUP	
2018	2019	(Amounts in NOK 1 000)	Note	2019	2018
7 827	**10 213**	Government grants	3.3	**10 213**	7 827
4 127	**7 343**	Refundable VAT		**8 124**	4 839
12 122	**2 161**	Prepaid expenses		**2 522**	12 508
1 345	**1 547**	Rental deposits		**1 892**	1 713
826	**1 348**	Other receivables		**1 748**	2 548
26 247	**22 612**	**Other current receivables and prepayments 31.12**		**24 499**	29 435

3.5 RESEARCH AND DEVELOPMENT EXPENSES

Accounting Policy

The group's products are still in the research and development phase, and there are no revenue from sales of products yet.

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 cost related to share based payments.

Research and development expenses

Cost related to research and development is expensed. During the financial year 2019 expenses for research and development were NOK 354.9 million whereas, NOK 300.6 million is classified as other operating expenses, NOK 8.5 million is classified as depreciation, and NOK 45.8 million is classified as payroll. In 2018 the research and development expenses were NOK 259.7 million, whereas NOK 222.3 million and NOK 37.4 million were classified as other operating expenses and payroll respectively. Research and development expenses above are presented as gross amounts, before deduction of government grants. See note 3.3 for more information about government grants presented as a reduction of operating costs.

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	
2018	2019	(Amounts in NOK 1 000)	Note	2019	2018
2 832	**4 004**	Unpaid duties and charges		**4 850**	7 022
3 133	**3 717**	Unpaid vacation pay		**3 965**	3 305
3 537	**1 101**	Accrued social security related to outstanding non exercised options, PSUs and RSUs		**2 088**	5 869
44 330	**42 105**	Other accrued costs		**48 232**	55 982
53 832	**50 927**	**Other current liabilities 31.12**		**59 135**	72 178

Social security contributions on share options

The provision for social security contributions on share options, 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, 2019 of NOK 31.74 per share (2018: NOK 51.00 per share), which is the best estimate of the market price at the date of exercise.

Other accrued costs

Other accrued costs for the period ended December 31st, 2019 are mainly related to development cost of the lead product candidate Betalutin® which are now in three clinical trials. Several contracts with contract manufacturing organisations have elements of milestone based payments. The company makes accruals towards the achievement of these milestones.

3.7 AUDITORS FEE

Accounting Policy

Auditors fee is expensed and 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 31 December:

PARENT			GROUP	
2018	2019	(Amounts in NOK 1 000)	2019	2018
270	**310**	Audit fee	**354**	475
247	**161**	Audit related work	**161**	247
594	**136**	Tax services	**136**	594
1 111	**607**	**Total**	**651**	1 316

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 2019 audit fees and non-audit services to auditors other than the group auditor was NOK 0.04 million and NOK 0.20 million respectively (2018: NOK 0.04 million and NOK 0.13 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 31 December 2019

Assets (Amounts in NOK 1 000)	Norway	Switzerland	United Kingdom
Non-current assets	20 395	0	0
Current receivables	22 612	759	1 128
Cash and cash equivalents	457 145	11 104	2 575
Liabilities			
Total non-current liabilites	4 571	3 348	0
Total current liabilites	110 064	3 788	5 939

As per 31 December 2018

Assets (Amounts in NOK 1 000)	Norway	Switzerland	United Kingdom
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

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 01.01.2018	**2 863**	**752**	**1 492**	**3 764**	**919**	**9 790**
Additions in the year	584	0	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**
Additions in the year	470	0	533	63	0	1 066
Disposals in the year						0
Cost at 31.12.2019	**3 917**	**752**	**2 982**	**3 973**	**1 391**	**13 015**
Accumulated depreciations 01.01.2018	**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**
Depreciations in the year[1)]	603	0	617	920	360	2 499
Accumulated depreciation at 31.12.2019	**2 273**	**752**	**2 272**	**3 915**	**1 155**	**10 367**
Net carrying amount at 31.12.2018	**1 777**	**0**	**794**	**915**	**596**	**4 082**
Net carrying amount at 31.12.2019	**1 644**	**0**	**711**	**58**	**236**	**2 648**
Estimated useful life	3-5 years	3 years	2-3 years	2-5 years	3-5 years	
Depreciation method	straight-line	straight-line	straight-line	straight-line	straight-line	

1) Includes depreciation for property, plant and equipment. Additional depreciation on right-of-use assets are presented in note 4.2.

4.2 LEASES

Accounting Policy

Right-of-use assets

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The group remeasures the lease liability upon the occurrence of certain events (e.g. a change in the lease term, or a change in future lease payments resulting from a change in an index or rate used to determine those payments). Generally, the amount of remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset.

Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The group also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Incremental borrowing rate

In calculating the present value of lease payments, the group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Significant judgement in determining the lease term of contracts with renewal options

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group applies judgement in evaluating whether it is reasonably certain to exercise an option to renew a lease contract, considering all relevant factors that create an economic incentive for the group to exercise the renewal or not exercise an option to terminate.

The main part of the group's lease contracts relates to production and office facilities.

The effects of adoption of IFRS 16

The group has lease contracts related to external production facilities at one of the CMO's manufacturing sites, office facilities and offices machines. Before the adoption of IFRS 16 leases on January 1st, 2019, the group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. As of December 31st, 2018 the group had no agreements that classified as financial lease. In an operating lease, the leased asset was not capitalised, and the lease payments were recognised in the income statement on a straight-line basis over the lease terms. Any prepaid rent and accrued rent were recognised under other current receivables and accounts payables, respectively. Upon adoption of IFRS 16, the group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets for all leases where it is the lessee, except for short-term leases and leases of low-value assets. The tables on following pages show the impacts arising from IFRS 16 on the opening balance and for 2019.

Implementation effect of IFRS 16

GROUP (Amounts in NOK 1 000)	31.12.2018	Implementation effect of IFRS 16	01.01.2019
Non-current assets			
Right-of-use-assets	0	6 631	6 631
Non-current liabilities			
Lease liability	0	5 136	5 136
Current liabilities			
Lease liability	0	1 495	1 495

Reconciliation of lease commitments to lease liabilities

GROUP	01.01.2019
Finance lease liabilities at 31 December 2018	0
+/- Sublease reclassifications and short-term lease exemptions	0
Non-cancellable operating lease commitments at 31 December 2018	3 980
+ Extension options reasonably certain to be exercised	3 111
- Discounting using the incremental borrowing rate	-460
Lease liabilities recognised at initial application	**6 631**
The weighted average incremental borrowing rate applied:	3,1 %
Right-of-use assets recognised at initial application	**6 631**
Amount recognised in retained earnings at initial application	**0**

IFRS 16 impact on the consolidated statement of financial position year end 2019

GROUP Consolidated statement of financial position (Amounts in NOK 1 000)	31.12.2019 IFRS 16	Impact IFRS 16	31.12.2019 IAS 17
Total non-current assets	20 395	-17 747	2 648
Total non-current receivables	0	0	0
Total current assets	24 499	0	24 499
Cash and cash equivalents	470 824	0	470 824
Total assets	**515 718**	**-17 747**	**497 971**
Total shareholders' equity	388 008	575	388 583
Total non-current liabilities	7 919	-4 571	3 348
Total current liabilities	119 791	-13 751	106 040
Total shareholders' equity and liabilities	**515 718**	**-17 747**	**497 971**

IFRS 16 impact on the consolidated statement of profit and loss in 2019

GROUP Consolidated income statement (Amounts in NOK 1 000)	2019 IFRS 16	Impact IFRS 16	2019 IAS 17
Revenues	0	0	0
Total operating revenue	**0**	**0**	**0**
Payroll and related expenses	96 409	0	96 409
Depreciation	12 659	-10 159	2 500
Other operating expenses	331 284	10 354	341 638
Total operating expenses	**440 352**	**195**	**440 547**
Operating profit (loss)	**-440 352**	**-195**	**-440 547**
Financial items, net	**7 693**	**770**	**8 463**
Loss before income tax	**-432 659**	**575**	**-432 084**

Carrying amount of right-of-use assets and movements during 2019

PARENT (Amounts in NOK 1 000)	Production facilities and equipment	Office facilities	Office machines	Total
Cost at 31.12.2018	**0**	**0**	**0**	**0**
Implementation effects IFRS 16	0	6 086	545	6 631
Cost at 01.01.2019	**0**	**6 086**	**545**	**6 631**
Additions in the year	19 367	1 909	0	21 276
Disposals in the year	0	0	0	0
Cost at 31.12.2019	**19 367**	**7 995**	**545**	**27 907**
Accumulated depreciation at 01.01.2019	**0**	**0**	**0**	**0**
Depreciations in the year	8 056	1 968	136	10 160
Accumulated depreciation at 31.12.2019	**8 056**	**1 968**	**136**	**10 160**
Net carrying amount at 01.01.2019	**0**	**6 086**	**545**	**6 631**
Net carrying amount at 31.12.2019	**11 311**	**6 027**	**409**	**17 747**
Interest rate applied	4.35% - 5.25%	2.9%	5.25%	

All the right-of-use 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.

Carrying amount of lease liabilities and movements during the period:

PARENT (Amounts in NOK 1 000)	2019
Liabilities at 31.12.2018	**0**
Implementation effects IFRS 16	6 631
Liabilites at 01.01.2019	**6 631**
Additions	21 276
Accretion of interests	771
Payments	-10 355
Liabilites at 31.12.2019	**18 322**
Current	13 751
Non-current	4 571

The table below summarises the maturity profile of lease liabilities:

As per 31 December 2019

PARENT (Amounts in NOK 1 000)	Less than 3 months	3 to 12 months	13 to 24 months	25 to 36 months	Total
Lease liabilities	3 326	10 425	2 211	2 360	18 322

The non-current liabilites of NOK 4.6 million is payable during 12-36 months. Interest rates are between 2.9 per cent and 5.25 per cent. Maturity is during 2022.

The following are the amounts recognised in the profit and loss

PARENT 2019	(Amounts in NOK 1 000)	Note	GROUP 2019
12 659	Depreciation of right-of-use assets		**12 659**
770	Interest expense on lease liabilities		**770**
0	Expense related to short-term lease		**2 301**
39	Expense relating to low value assets		**39**
0	Variable lease payments		**0**
13 468	**Total amount recognised in profit and loss**		**15 769**

Total cash ouflow for leases

PARENT 2018	PARENT 2019	(Amounts in NOK 1 000)	Note	GROUP 2019	GROUP 2018
2 186	**10 355**	Total cash outflow for leases		**12 694**	4 251

The group also had non-cash additions to right-of-use assets and lease liabilities of NOK 21.3 million in 2019.

Section 5 - Risk management, financial instruments, capital structure and equity

5.1 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, minimise and mitigate potential risks and risk assessment and management is an integral part of Nordic Nanovector's operations.

Operational and market risks

- The company has ongoing 3 clinical trials, ranging from Phase 1 to 2b for the 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 risks, and failure may occur at any stage during development and after marketing approvals have been received, due to safety or clinical efficacy issues.

- 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 relies upon third-party suppliers for clinical trial execution. 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. 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 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 programme may not be sufficient to cover claims and such insurance may not be available in the future on acceptable terms, if at all.

- 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. The company relies upon third-party suppliers for manufacturing of drug supply. There is a risk that the company cannot enter into or maintain satisfactory agreements with third-party suppliers, like 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. Product manufacturing and quality issues may result in a potential shortage of supplies.

- The company will need approvals from the FDA to market Betalutin® in the USA, and from EMA to market in the European Union, 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.

- Lack of adequate quality systems.

- 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.

- In order to execute the clinical programmes, prepare for filing and launch the products, the company will require new capital in the future. The company's current cash balance is not expected to fund the company until a commercial stage has been reached. Adequate sources of capital funding may not be available when needed, or may not be available on favourable terms. The company's ability to obtain such additional capital or financing will depend in part upon prevailing market conditions, as well as conditions of its business and its operating results, and those factors may affect its efforts to arrange additional financing on satisfactory 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®.

- Nordic Nanovector does not yet have a customer-facing infrastructure and would need to on-board the right people and capabilities in order to commercialise the approved product candidates. In addition, Nordic Nanovector has to build-up a commercial supply chain to enable a secure market supply. This process will be expensive and time-consuming. Many of the current and future competitors already have these capabilities in house and, in addition, have access to greater capital resources. As a result, Betalutin®'s launch readiness, reimbursed price and market uptake may be impacted.

- The company operates in a highly competitive industry and the competitive landscape in NHL is becoming more and more crowded. Development of new innovative agents by other companies may render Nordic Nanovector's product candidates or technologies obsolete or non-competitive. In addition, the company's lead asset 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 normally treated by haematologists and oncologists, and the need for patient referral may potentially represent a barrier that can affect market acceptance.

- 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.

- Nordic Nanovector's ability to execute on its strategy depends on its ability to attract, develop and retain qualified employees.

- The company's board and management continuously evaluate the impact the COVID-19 outbreak has on our business. Our priority is protecting our employees and making sure patients in clinical trials have access to Betalutin®. The company is adapting its social responsibility, following the governmental guidelines regarding travel restrictions, remote work for our employees and quarantine recommendations by the Health authorities. Crisis management is established, and business contingency plans have been prepared in cooperation with our contract research and manufacturing organisations (CROs, CMOs). While uncertainty remains around the duration, severity and geographic scope of the COVID-19 outbreak, the company may face delays in patient enrollment due to re-prioritisation of hospital activities, healthcare staff or patients affected by the virus or supply issues due to closure of borders between countries. The long-term situation may impact regulatory meetings, monitoring of patients and motivational visits at sites. This can lead to delays in finalisation of clinical trials and delayed data read-out. Financing depends in part upon the prevailing market and the COVID-19 has led to an investor turmoil. This may affect the company's ability to raise funds going forward, and activities may need to be reduced according to funds available. The company has a currency hedge in place for future commitments in other currencies than NOK.

The company's board and management team continuously monitor 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

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 2019. 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.

The company has been successful in raising new funds totalling NOK 468.1 million in gross proceeds during the year, providing the financial resources to the end of 2020. Management will continue to focus on efficient operations, close monitoring and planning of the cash resources, and maintaining a clear business development strategy. In order to complete the biologics license application (BLA) to gain marketing approval of Betalutin® and prepare for launch, the company will require new capital.

Interest rate risk

The Nordic Nanovector group has no interest-bearing debt except leasing liabilities where the underlying interest rate is determined when the leasing agreement starts. Bank deposits are exposed to market fluctuations in interest rates, which impact the financial income. The Nordic Nanovector group had NOK 5.6 million (NOK 4.6 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 2019 amounted to an equivalent of NOK 83.5 million (NOK 138.6 million).

The table below shows financial instruments' sensitivity for changes in exchange rates at year end, with all other factors constant. The impact on the group's profit before tax is mainly due to change in the fair value of monetary assets impacting the value of cash and cash equivalents and financial items and other comprehensive income. The calculation is based on the financial assets and financial liabilities held at December 31st.

GROUP (Amounts in NOK 1 000)		Effect on profit/loss before tax[3]		Other comprehensive income	
Currency[1]	Change in exchange rate[2]	2019	2018	2019	2018
EUR	-10%	**-5 558**	-10 374	**0**	0
	+10%	**5 558**	10 374	**0**	0
GBP	-10%	**-750**	-45	**-258**	-214
	+10%	**750**	45	**258**	214
USD	-10%	**-2 028**	-3 307	**0**	0
	+10%	**2 028**	3 307	**0**	0
CHF	-10%	**-18**	-119	**-1 110**	-969
	+10%	**18**	119	**1 110**	969

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.

3) Positive figure represents reduced loss while negative figures increases loss.

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 derecognised 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 group's financial liabilities consist of accounts payable, other current liabilities and non-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. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the effective interest rate (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

GROUP (Amounts in NOK 1 000)	Note	31.12.2019 Financial assets at amortised costs	Other liabilities	Total	31.12.2018 Financial assets at amortised costs	Other liabilities	Total
ASSETS							
Cash and cash equivalents	5.3	470 824		470 824	440 069		440 069
Trade and other receivables	3.3, 3.4	24 499		24 499	29 435		29 435
Total financial assets		**495 323**		**495 323**	**469 504**		**469 504**
LIABILITIES							
Other liabilities							
Accounts and other payables	5.4		106 040	106 040		107 022	107 022
Total liabilities		**0**	**106 040**	**106 040**	**0**	**107 022**	**107 022**

PARENT (Amounts in NOK 1 000)	Note	31.12.2019 Financial assets at amortised costs	Other liabilities	Total	31.12.2018 Financial assets at amortised costs	Other liabilities	Total
ASSETS							
Cash and cash equivalents	5.3	457 145		457 145	427 625		427 625
Trade and other receivables	3.3, 3.4	22 612		22 612	26 247		26 247
Total financial assets		**479 757**		**479 757**	**453 872**		**453 872**
LIABILITIES							
Other financial liabilities							
Accounts and other payables	5.4		105 044	105 044		100 160	100 160
Total financial liabilities		**0**	**105 044**	**105 044**	**0**	**100 160**	**100 160**

Changes in liabilities arising from financing activities:

As per 31 December 2019

PARENT (Amounts in NOK 1 000)	01.01.2019	Cash flows	New leases	Other	31.12.2019
Current lease liabilities	1 495	-1 495	13 752	-1	13 751
Non-current lease liabilities	5 136	-8 089	7 524	0	4 571
Total liabilities from financing activities	**6 631**	**-9 584**	**21 276**	**-1**	**18 322**

All the lease liabilities in the group are related to leases in Nordic Nanovector ASA, thus the disclosure for Nordic Nanovector ASA is identical to the disclosure for the group.

5.3 CASH AND CASH EQUIVALENTS

Accounting Policy

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

PARENT			GROUP	
2018	2019	(Amounts in NOK 1 000)	2019	2018
1 528	**1 824**	Employee withholding tax	**1 824**	1 528
426 097	**455 321**	Variable interests rate bank accounts	**469 000**	438 541
427 625	**457 145**	**Total cash and cash equivalents 31.12**	**470 824**	440 069

In the group, bank deposits related to office lease of NOK 1.9 million is classified as other current receivables (2018: NOK 1.8 million), hereof NOK 1.5 million is related to the parent in 2019 and NOK 1.3 million in 2018. Of the total balance of cash and cash equivalents, NOK 1.8 million (2018: NOK 1.5 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 97.2 million (2018: NOK 151 million) are placed in bank accounts with a different currency than NOK as of December 31st, 2019. Of this total, NOK 83.5 million (2018: NOK 138.6) 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 31 December 2019

GROUP (Amounts in NOK 1 000)	On demand	Less than 3 months	3 to 12 months	Total
Accounts payables		45 956		45 956
Unpaid duties and charges		4 850		4 850
Unpaid vacation pay			3 965	3 965
Tax payable			949	949
Accrued social security expenses related to outstanding non exercised options, PSUs and RSUs[1)]	2 088			2 088
Other accrued costs		45 385	2 847	48 232
Total current liabilities 31.12.19	**2 088**	**96 191**	**7 761**	**106 040**

As per 31 December 2018

GROUP (Amounts in NOK 1 000)	On demand	Less than 3 months	3 to 12 months	Total
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[1)]	5 869			5 869
Other accrued costs		50 842	5 139	55 981
Total current liabilities 31.12.18	**5 869**	**91 905**	**9 248**	**107 022**

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

As per 31 December 2019

PARENT (Amounts in NOK 1 000)	On demand	Less than 3 months	3 to 12 months	Total
Accounts payables		44 268		44 268
Unpaid duties and charges		4 004		4 004
Unpaid vacation pay			3 717	3 717
Tax payable			131	131
Accrued social security expenses related to outstanding non exercised options, PSUs and RSUs[1)]	1 101			1 101
Current liabilities to group companies		9 718		9 718
Other accrued costs		39 258	2 847	42 105
Total current liabilities 31.12.19	**1 101**	**97 248**	**6 695**	**105 044**

As per 31 December 2018

PARENT (Amounts in NOK 1 000)	On demand	Less than 3 months	3 to 12 months	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[1)]	3 537			3 537
Current liabilities to group companies		14 201		14 201
Other accrued costs		39 191	5 139	44 330
Total current liabilities 31.12.18	**3 537**	**94 582**	**5 174**	**100 160**

1) 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, 2019 is NOK 13 228 673 (December 31st, 2018: NOK 9 886 189), being 66 143 363 ordinary shares at a nominal value of NOK 0.20. All shares carry equal voting rights.

PARENT (Amounts in 1 000 NOK)	Note	2019	2018
Ordinary shares at 01.01		49 430 945	49 044 402
Issue of ordinary shares[1)]		16 036 037	0
Issue of ordinary shares under share options[2)]	6.3.3	630 420	380 508
Issue of ordinary shares under RSUs[3)]	6.3.2	45 961	6 035
Ordinary shares at 31.12		**66 143 363**	**49 430 945**

1) In January 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. The company carried out a repair offering of 69 051 new shares and raised gross proceeds of NOK 3.1 million in March 2019. In October 2019, Nordic Nanovector raised NOK 243 million in gross proceeds through a private placement of 11 023 892 new shares. The private placement was completed at a subscription price of NOK 22 per share.

2) Participants in Nordic Nanovector ASA's discontinued share option programme, not being primary insiders, exercised a total number of 630 420 options through exercise of a corresponding number of free-standing warrants. Each freestanding warrant gives the right to receive one share in the company.

3) On May 31st, 2019 three of the board members of Nordic Nanovector ASA, resolved to settle a total number of 11 840 RSUs issued to them in June 2018 after they had chosen to receive all or part of their remuneration in RSUs. In addition, a former board member has during 2019 resolved to settle 34 121 RSUs that the company previously issued as remuneration under the RSU-programme. Each RSU gives the right to subscribe for one share in the company at a subscription price of NOK 0.20.

The AGM held in April, 2019, granted an authorisation to the board to increase the share capital by 20 per cent of the company's share capital at the time the authorisation is used. The authorisation was utilised in the private placement in October 2019.

The same general meeting, granted an authorisation to the board to increase the share capital with up to NOK 22 000 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 as part of the RSU programme. The general meeting also resolved to issue up to 800 000 free-standing warrants to employees that were awarded PSUs.

The general meetings has since December 2017 resolved to issue free-standing warrants to employees awarded performance share units (PSUs), and employees awarded options under the discontinued option programme. Each free-standing warrant shall, subject to specific terms, give the right to subscribe for one new share in the company with nominal value NOK 0.20. The sole purpose of these free-standing warrants is to ensure delivery of shares in the company upon exercise of PSUs or options. As per December 31st, 2019, 775 250 and 1 805 126 warrants related to PSUs and options respectively, are exercisable under specific terms and can be converted into shares. See note 6.3 for further information about the share based incentive programme.

Nordic Nanovector ASA had 10 401 shareholders as at 31 December 2019

	Shareholders	Number of shares	Percentage of total shares
1	HealthCap VI L.P.	6 165 378	9.32 %
2	Folketrygdfondet	3 716 865	5.62 %
3	OM Holding AS	2 953 433	4.47 %
4	Nordnet Livsforsikring AS	1 842 123	2.79 %
5	Linux Solutions Norge AS	845 071	1.28 %
6	VPF Nordea Kapital	778 910	1.18 %
7	Ro Invest AS	725 000	1.10 %
8	Sciencons AS (Roy Hartvig Larsen)	725 000	1.10 %
9	Must Invest AS	700 000	1.06 %
10	Radiumhospitalets Forskningsstiftelse	684 972	1.04 %
11	VPF Nordea Avkastning	656 251	0.99 %
12	Birk Venture AS	650 000	0.98 %
13	Inven2 AS	541 247	0.82 %
14	SEB Prime Solutions Sissener Canopus	500 000	0.76 %
15	KLP Aksje Norge	483 027	0.73 %
16	Equinor Pensjon	480 874	0.73 %
17	Nordnet Bank AB	459 307	0.69 %
18	Roy Hartvig Larsen	454 801	0.69 %
19	F2 Funds AS	450 000	0.68 %
20	UBS Switzerland AG	447 057	0.68 %
	Total shares for top 20 shareholders	**24 259 316**	**36.68 %**
	Total shares for other 10 381 shareholders	**41 884 047**	**63.32 %**
	Total shares (10 401 shareholders)	**66 143 363**	**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 8 276 shareholders as of December 31st, 2018 to 10 401 shareholders as of December 31st, 2019.

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				GROUP	
2018	2019	(Amounts in NOK 1 000)	Note	2019	2018
		Finance income			
18	**27**	Interest income on tax repaid		**27**	18
4 543	**5 568**	Interest income on bank deposits	5.3	**5 596**	4 558
9	**12**	Other finance income		**12**	8
4 570	**5 607**	**Total finance income**		**5 635**	4 584
		Finance expense			
0	**771**	Interest expense leasing		**771**	0
1	**244**	Other fees, charges		**247**	2
1	**1 015**	**Total finance expense**		**1 018**	2
		Net currency gain (loss)			
-409	**807**	Net currency gain related to operating items		**1 169**	-675
-866	**1 907**	Net currency gain (loss) related to foreign exchange differences on currency bank accounts		**1 907**	-866
-1 275	**2 714**	**Total finance expense**		**3 076**	-1 541
3 294	**7 306**	**Net finance income (expenses)**		**7 693**	3 041

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

PARENT				GROUP	
2018	2019	(Amounts in NOK 1 000)	Note	2019	2018
-1 656	**533**	EUR	5.3	**533**	-1 656
1 395	**478**	USD	5.3	**478**	1 395
-93	**1 107**	CHF	5.3	**1 107**	-93
-512	**-211**	GBP	5.3	**-211**	-512
-866	**1 907**	**Net currency gain (loss)**		**1 907**	-866

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. Issued share options, performance share units and restricted stock units have a potential dilutive effect on earnings per share (see note 6.3 for details on share based payments). 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	
2018	2019	(Amounts in NOK, except number of shares)	Note	2019	2018
-340 313 000	**-430 502 000**	Loss for the year		**-433 597 000**	-337 772 000
49 114 764	**56 592 292**	Average number of outstanding shares during the year[1)]	5.5	**56 592 292**	49 114 764
-6,93	**-7,61**	**Earnings (loss) per share - basic and diluted (in NOK per share)**		**-7,66**	-6,88

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 31 December 2019

(Amounts in NOK 1 000)	Salary[1)]	Pension expense	Other remuneration[2)]	Total
Lars Nieba, Interim CEO and CTO[3) 6)]	221	19	538	778
Malene Brondberg, VP IR & CC[6)]	2 546	78	307	2 931
Rosemarie Corrigan, CQO[6)]	2 787	81	389	3 257
Jostein Dahle, CSO	2 133	74	76	2 283
Rita Dege, CHRO	1 817	74	15	1 906
Gabriele Elbl, VP REG[5)]	428	40	385	853
Tone Kvåle, CFO	2 786	74	73	2 933
Marco Renoldi, COO[6)]	3 645	285	204	4 134
Lisa Rojkjaer, CMO[6) 7)]	2 820	225	184	3 229
Eduardo Bravo, previous CEO (until 26 February 2020)[4) 6)]	4 528	56	994	5 578
Total management remuneration	**23 711**	**1 006**	**3 165**	**27 882**

1) Salary includes holiday pay if applicable and accrued performance bonus for 2019.

2) Other remuneration includes: insurance, car allowance (if relevant), healthcare allowance (if relevant), representation allowance (if relevant) and other.

3) Lars Nieba was appointed interim chief excecutive officer on February 26th, 2020, and has been chief technology officer since December 1st, 2019.

4) On February 26th, 2020 the company announced that Eduardo Bravo stepped down as chief executive officer.

5) Gabriele Elbl joined Nordic Nanovector on November 1st, 2019 as vice president global regulatory affairs.

6) For comparative purposes, the average exchange rate in 2019 for CHF/NOK (8,86) and GBP/NOK (11,24) has been used to convert remuneration in other currency than NOK.

7) In March 2020 the company announced that Lisa Rojkjaer will leave Nordic Nanovector to pursue other career opportunities see note 9.1.

Total remuneration paid in cash to the members of the management was NOK 27.9 million in 2019 (2018: 31.6 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 10.1 million in 2019 and NOK 7.5 million in 2018. 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 previous CEO was 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 previous CEO was previously 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 31 December 2018

(Amounts in NOK 1 000)	Salary[1)]	Pension expense	Other remuneration[2)]	Total
Eduardo Bravo, CEO (from 2 July 2018 to 26 February 2020)[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, previous CEO (until 4 April 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.

4) The average exchange rate in 2018 for CHF/NOK (8.32) and GBP/NOK (10.85) has been used to convert remuneration in other currencies 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 2019[1)]	Number of shares 2018[1)]
Lars Nieba	Interim Chief Executive Officer and Chief Technology Officer	December 2019	**0**	
Malene Brondberg	VP Investor Relations and Corporate Communications	February 2018	**9 455**	0
Rosemarie Corrigan	Chief Quality Officer	December 2017	**2 436**	0
Jostein Dahle	Chief Scientific Officer	January 2011	**204 958**	204 958
Rita Dege	Chief Human Resources Officer	June 2015	**4 754**	4 754
Gabriele Elbl	VP Global Regulatory Affairs	November 2019	**0**	
Tone Kvåle	Chief Financial Officer	November 2012	**191 275**	179 608
Marco Renoldi	Chief Operating Officer	November 2014	**74 000**	74 000
Lisa Rojkjaer	Chief Medical Officer	November 2016	**4 186**	4 186
Eduardo Bravo	Previous Chief Executive Officer (until 26 February 2020)	July 2018	**72 187**	4 200
Total shares owned by management			**563 251**	471 706

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 31.12.2019
Lars Nieba, Interim CEO and CTO					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
Gabriele Elbl, VP REG					0
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
Eduardo Bravo, previous CEO (until 26 February 2020)					0
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

The option programme was replaced by the PSU programme in 2017. See note 6.3.1 and 6.3.3 for more information.

PSUs held by members of the management group

Outstanding PSUs PSU holder	Granted 2018	Outstanding as of 31.12.2018	Granted 2019	Outstanding as of 31.12.2019
Lars Nieba, Interim CEO and CTO	0	0	50 000	50 000
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
Gabriele Elbl, VP REG	0	0	30 000	30 000
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
Eduardo Bravo, previous CEO (until 26 February 2020)	250 000	250 000	50 000	300 000
Total	**378 500**	**378 500**	**285 000**	**663 500**

6.2 THE BOARD'S STATEMENT REGARDING SALARIES AND OTHER REMUNERATION FOR THE MANAGEMENT TEAM

INTRODUCTION

This compensation report summarises the work of the compensation committee and the board 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 AGM in 2020 as set out in the statement.

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 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 23 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- 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. 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, 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 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. 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. The corporate priorities will change from year to year depending on the development of the business, as well as the overall strategic direction. In 2019, the annual cash bonus plan was based upon 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 2020.

Long-term incentives

The board 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 EGM on December 20th, 2017. The company's AGM on May 30th, 2018 and April 25th, 2019 approved a continuation of the EIP. The board proposes a continuation of the EIP.

Eligibility

Employees, including new hired 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 board 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 intends to grant awards under the EIP on an annual basis within the maximum size of the awards approved at the company's AGM each year. The annual awards will normally be effected during the first quarter of the financial year following the financial year where the AGM 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.

General terms of the EIP

The EIP provides for the grant of performance share units (PSUs). PSUs will be granted by the board 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 per cent and 100 per cent. Vesting of half of the granted PSUs will be determined by an operational factor and vesting of the other half will be determined by a share price factor.

The operational factor shall be determined by the fulfilment of a selection of predefined annual operational objectives, which are considered important for the creation of long-term shareholder value. If all objectives are fulfilled the operational factor will be set at 100 per cent, which will result in full vesting of half of the granted PSUs. 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 per cent will result in a share price factor of 100 per cent, which translates into full vesting of half of the PSUs. A share price increase of 20 per cent will result in a share price factor of 33 per cent, which translates into vesting of 33 per cent of the half of the PSUs. Share price increases between 20 and 60 per cent will result in a share price factor between 33 and 100 per cent, calculated linearly. Share price increases below 20 per cent will result in a share price factor of 0 per cent, which will result in half of the PSUs not vesting. Upon vesting of PSUs the holder of the PSUs will have a right to subscribe for one new share in the company for each vested PSU, at a subscription price per share corresponding to the par value of the company's shares.

If the PSU holder resigns or is given summary dismissal, all unvested PSUs will lapse. If the PSU holder is dismissed all unvested PSUs will lapse, unless the board decides otherwise. For PSUs granted after the 2019 AGM the following amendment applies. If the PSU holder is dismissed, or a severance agreement is entered into more than 12 months after the 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 number of his/hers unvested PSUs corresponding to 1/3 of the PSUs granted to him/her, 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.

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 is proposing that the 2020 AGM approves a continuation of the EIP.

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 per cent 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 2019 AGM approved a continuation of the EIP and authorised the board to grant up to 800 000 PSUs during the period from the 2019 AGM to the 2020 AGM. Pursuant to the authorisation granted at the 2017, 2018 and 2019 AGMs, the board has granted 1 417 050 PSUs, which of 986 750 PSUs are outstanding. All PSUs 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 per March 26th, 2020 1 718 410 and 986 750 (out of 1 900 000) respectively. Subject to all vesting conditions being fulfilled exercise of the options and PSUs would create a 3.9 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 has started preparations for a commercial launch for Betalutin®. This will involve, among many other things, growing the current organisation by initiating the recruitment of a full commercial organisation. When recruiting experienced commercial managers and other key employees in the US and in Europe it will be important for Nordic Nanovector to be able to offer attractive compensation terms. A competitive equity-based incentive programme 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.

The board further proposes that the shareholders at the 2020 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 a statutory defined contribution pension scheme which is split between the employee and the company and is 9 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 previous CEO was 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 was 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

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 receive an equity instrument (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 is 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 PSUs 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 AGM on April 25th, 2019 approved to continue the company's share based incentive programme, and authorised the board to grant up to 800 000 PSUs from the date of the AGM in 2019 to the AGM in 2020. In addition, the AGM on May 30th, 2018 authorised the board to grant up to 600 000 PSUs from the date of the AGM in 2018 to the AGM in 2019.

During 2019, 354 000 PSUs have been granted, hereof 775 250 are outstanding as of December 31st, 2019. In accordance with the resolution at the EGM in December 2017, AGM in May 2018 and April 2019, 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.

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. Upon vesting, the holder of the PSUs will receive Nordic Nanovector ASA shares (if any), with the number of shares issuable determined by multiplying the number of PSUs granted by a factor of between 0 per cent and 100 per cent. Vesting of half of the granted PSUs will be determined by an operational factor and vesting of the other half will be determined by a share price factor (see note 6.2 for more information about how these factors are determined).

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.

Share based payment expenses related to options and PSU's are recognised in the income statement and disclosed in note 3.2.

Overview of outstanding PSUs

The number of PSUs and average exercise prices:	Number of PSUs	2019 Weighted average exercise price in NOK	Number of PSUs	2018 Weighted average exercise price in NOK
Balance at 01.01	461 250	0,20	0	0,20
Granted during the year	354 000	0,20	501 550	0,20
Exercised during the year	0	0,20	0	0,20
Forfeited	-40 000	0,20	-40 300	0,20
Balance at 31.12	**775 250**	**0,20**	**461 250**	**0,20**
Hereof vested PSUs	0		0	
Weighted average remaining years to vesting	2,00		2,34	

Remaining contractual lifetime of outstanding performance stock units per 31 December 2019

	Number of PSUs	2019 Weighted average exercise price in NOK	Number of PSUs	2018 Weighted average exercise price in NOK
1 - 2 years	429 250	0,20		0,20
2 - 3 years	346 000	0,20	461 250	0,20
Total	**775 250**	**0,20**	**461 250**	**0,20**

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

	2019	2018
Dividends (NOK)	0	0
Expected volatility (%)	62,2% - 69%	63% - 71%
Risk-free interest rate (%)	1,17% - 1,38%	0,74% - 1,32%
Vesting date	3 years	3 years

6.3.2 RESTRICTED STOCK UNITS (RSUs)

Accounting Policy

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

Overview

At the AGM in 2019, the company resolved to issue restricted stock units (RSUs) to board directors who elected to receive all or parts of their remuneration, in the form of RSUs. The RSUs are non-transferable and each RSU gives 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 board 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.

As per 31 December 2019

Name	Remuneration for the period 2019-2020 in NOK	Allocation between cash and RSUs	Remuneration for the period 2019-2020 in cash	Number of RSUs for the period 2019-2020[3)]	Market price on grant date[2)] in NOK	Number of RSUs exercised in 2019	Number of RSUs outstanding
Jan H. Egberts	520 000	2/3 RSU	180 000	7 867	45,76	0	7 867
Gisela Schwab	320 000	1/3 RSU	213 333	2 331	45,76	5 732	2 331
Hilde Hermansen Steineger	360 000	2/3 RSU	120 000	5 245	45,76	0	20 778
Jean-Pierre Bizzari	340 000	1/3 RSU	226 667	2 477	45,76	2 036	2 477
Joanna Horobin	340 000	2/3 RSU	113 333	4 953	45,76	4 072	4 953
Per Samuelsson[1)]	360 000	100% Cash	360 000	0	–	0	0
Rainer Boehm	320 000	1/3 RSU	213 333	2 331	45,76	0	5 902
Total	**2 560 000**		**1 426 666**	**25 204**		**11 840**	**44 308**

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

2) The market price is calculated as volume weighted average share price the 10 trading days prior to the grant date on April 25th, 2019.

3) The RSUs will vest on April 25th, 2020.

The number of outstanding RSUs	2019	2018
Balance at 01.01	68 391	45 014
Granted during the year	25 204	29 412
Exercised during the year	-45 961	-6 035
Forfeited	-3 326	0
Balance at 31.12	**44 308**	**68 391**
Hereof vested RSUs	19 104	38 979

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.

Overview

The share option programme was discontinued in 2017 and no options have been granted in 2018 or 2019, but options granted under the programme will remain valid with its existing terms. In accordance with the resolution at the EGM 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.

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 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.

	2019		2018	
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	2 659 174	43,09	3 482 843	42,20
Granted during the year	0	0	0	0
Exercised during the year	-630 420	24,72	-380 508	22,80
Forfeited	-223 628	60,52	-443 161	53,46
Balance at 31.12	**1 805 126**	**47,35**	**2 659 174**	**43,09**
Hereof vested options	1 601 899	43,75	2 153 144	37,47

Remaining contractual lifetime of outstanding share options per 31 December 2019

	Number of options	**Excercise price in NOK**
1 - 2 years	299 137	30,11
2 - 3 years	529 600	28,55
3 - 4 years	589 371	44,75
4 - 5 years	387 018	90,37
Total	**1 805 126**	**47,35**

6.4 REMUNERATION TO THE BOARD

The AGM held on April 25th, 2019 resolved the following remuneration to the board and the nomination committee for the period from the AGM April 25th, 2019 until the AGM in 2020 as shown in the table below.

(Amounts in NOK 1 000, exclusive of social security)	Board of directors	Audit committee	Compensation committee	Clinical committee	Nomination committee
Chair	500	40	40	40	45
Directors	300	20	20	20	25

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

At the AGM in 2019, the shareholders approved the issuance of restricted stock units (RSUs) to board directors, who elected to receive all or parts of their remuneration in the form of RSUs. The board's election of RSUs as part of their remuneration is disclosed in note 6.3.2.

Remuneration to the board for the 12 month period from AGM to AGM the following year

Shares held by the board at year end

(Amounts in NOK 1 000, except number of shares)	Served since	Board fee and fees for committee work[6] 2019	Board fee and fees for committee work[6] 2018	Number of shares as of 31.12 2019	Number of shares as of 31.12 2018
Current board					
Jan H. Egberts[1]	February 2019	520	0	0	0
Jean-Pierre Bizzari[2]	May 2016	340	325	6 545	4 509
Rainer Boehm[2]	May 2018	320	305	0	0
Joanna Horobin[2]	October 2016	340	325	8 857	4 785
Per Samuelsson[3]	November 2014	360	345	0	0
Gisela M. Schwab[2]	March 2015	320	305	15 732	10 000
Hilde Hermansen Steineger[4]	November 2014	360	345	750	750
Total		**2 560**	**1 950**	**31 884**	20 044

1) In the EGM in February 2019, Jan H. Egberts was elected chairman of the board. Jan H. Egberts is a member of the audit committee.
2) Jean-Pierre Bizzari is the chair of the clinical committee. Rainer Boehm, Joanna Horobin and Gisela Schwab are members of the clinical committee.
3) Per Samuelson is the chair of the compensation committee and member of the audit committee.
4) Hilde Hermansen Steineger is the chair of the audit committee and a member of the compensation committee.
5) Shareholdings are not included for representatives who are no longer members as of December 31th, 2019.
6) Minimum fees for committee work included i.e. five meetings per period.

The total remuneration for the board recognised in the accounts for 2019 was NOK 3.2 million (NOK 2.3 million), hereof NOK 1.8 mill in fees to be paid out (NOK 0.8 million) and NOK 1.4 million (NOK 1.5 million) for imputed costs related to share based payments (RSUs), which has no cash effect. Total remuneration to the board is classified as other operating expenses and includes fees for committee work and compensation for lost working hours when traveling to attend the board meetings.

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 are presented as 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.

Defined contribution plan

The parent company has a defined contribution pension scheme that complies with the requirements of Norwegian occupational pension legislation (OTP). 33 employees are included in this scheme as of December 31st, 2019 (2018: 30 employees). Nordic Nanovector Ltd has a statutory pension scheme as required by the UK government, which has 6 active participants (2018: 4 active participants). Nordic Nanovector's Danish Branch has a defined contribution scheme with 4 active members (2018: 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 5 active participants and 0 pensioners as at December 31st, 2019 (2018: 4 active employees).

Total pension expense (recognised in the consolidated statement of profit or loss)

PARENT				GROUP	
2018	2019	(Amounts in NOK 1 000)	Note	2019	2018
2 117	**2 542**	Pension contributions		**2 952**	2 312
0	**0**	Defined benefits plan in Nordic Nanovector GmbH		**798**	1 112
2 117	**2 542**	**Total pension expense**	3.2	**3 750**	3 424

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.

Balance sheet position	GROUP	
(Amounts in NOK 1 000)	01.01.2019	31.12.2018
Defined benefit obligation	**-16 138**	-18 840
Plan assets	**12 790**	15 469
Defined benefit (liability)	**-3 348**	-3 371

Assumptions	2019	2018
Discount rate	**0,05 %**	0,60 %
Interest credit rate	**0,15 %**	0,60 %
Annual salary increase	**2,50 %**	2,50 %
Actuarial tables	**BVG 2015**	BVG 2015
Turnover rates	**200% BVG 2015**	200% BVG 2015
Remeasurement gain (losses) on defined benefit plans	**101**	633

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.

Basis for tax calculation

PARENT			GROUP	
2018	2019	(Amounts in NOK 1 000)	2019	2018
-340 313	**-430 502**	Total comprehensive income (loss) for the period	**-433 170**	-336 770
7 228	**4 382**	Non-deductible expenses	**4 453**	7 322
-7 553	**-9 027**	Non-taxable income	**-9 027**	-7 553
-96	**-38 378**	Share issue costs	**-38 378**	-96
-2 528	**-836**	Change in temporary differences	**-836**	-2 527
-343 262	**-474 361**	**Basis for tax calculation**	**-476 958**	-339 624
35	**132**	**Tax expense**	**938**	800

Income tax expense

PARENT			GROUP	
2018	2019	(Amounts in NOK 1 000)	2019	2018
-78 272	**-94 578**	Expected tax expense	**-93 786**	-77 521
1 662	**964**	Non-deductible expenses	**978**	1 680
-1 737	**-1 986**	Non-taxable income	**-1 986**	-1 737
-22	**-8 443**	Share issue costs	**-8 443**	-22
66 289	**104 176**	Change in deferred tax assets not recognised	**104 176**	66 289
12 115	**0**	Effect from changes in tax rate	**0**	12 115
35	**132**	**Income tax expense**	**938**	804

The corporate tax rate in Norway was 22 per cent in 2019 and 23 per cent in 2018. In Switzerland the tax rate in 2019 and 2018 was 14.35 per cent and 14.51 per cent respectively. In UK, tax rate was 19 per cent in both 2019 and 2018.

Deferred tax assets

PARENT			GROUP	
2018	2019	(Amounts in NOK 1 000)	2019	2018
1 204 372	**1 678 733**	Tax losses carried forward	**1 678 733**	1 204 372
3 666	**2 830**	Temporary differences	**2 830**	3 666
1 208 038	**1 681 563**	**Temporary differences and tax loss carry forward**	**1 681 563**	1 208 038
265 768	**369 944**	**Deferred tax assets - not recognised in statement of financial position**	**369 944**	265 768

Deferred tax assets as of December 31st, 2019 and 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 1 678.7 million at December 31st, 2019. At December 31st, 2018 the total tax loss carried forward was NOK 1 204.4 million. The tax losses can be carried forward indefinitely.

The group, nor the parent company, have 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 utilisation of a deferred tax asset. No current or deferred tax charge or liability have been recognised for 2019 and 2018.

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**	**2019**	**2018**
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 8, 6300 Zug, Switzerland. Nordic Nanovector Ltd is incorporated in London, England, with its registered address at 1 Brassey Road, Old Potts Way, Shrewsbury SY3 7FA, United Kingdom.

Nordic Nanovector also has operations in Denmark through Nordic Nanovector DK, a branch of Nordic Nanovector ASA. The branch was established in October 2017 and is reported as costs incurred in 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. Note 8.1 provides information about the group's structure.

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

(Amounts in NOK 1 000)	Note	Purchases (included in other operating expenses) 2019	2018
Subsidiary - Nordic Nanovector GmbH	3.1	**22 445**	30 859
Subsidiary - Nordic Nanovector Ltd	3.1	**36 740**	25 909

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

(Amounts in NOK 1 000)	Note	Amounts owed to related parties (included in current liabilities to group companies) 31.12.2019	31.12.2018
Subsidiary - Nordic Nanovector GmbH	5.4	**2 426**	6 062
Subsidiary - Nordic Nanovector Ltd	5.4	**7 292**	8 139

For information on remuneration and shareholding to the board see note 6.4.

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.

Dr Lars Nieba, Nordic Nanovector's chief technology officer, was appointed interim chief executive officer in February 2020 to replace Eduardo Bravo, who left the company to pursue other career opportunities.

In March 2020 the company announced that Dr Dominic Smethurst has been appointed Interim Chief Medical Officer with immediate effect. Dr Smethurst replaces Dr Lisa Rojkjaer who will leave Nordic Nanovector to pursue other career opportunities.

The company's board and management continuously evaluate the impact the COVID-19 outbreak has on our business. Our priority is protecting our employees and making sure patients in clinical trials have access to Betalutin®. The company is adapting its social responsibility, following the governmental guidelines regarding travel restrictions, remote work for our employees and quarantine recommendations by the Health authorities. Crisis management is established, and business contingency plans have been prepared in cooperation with our contract research and manufacturing organisations (CROs, CMOs). While uncertainty remains around the duration, severity and geographic scope of the COVID-19 outbreak, the company may face delays in patient enrollment due to re-prioritisation of hospital activities, healthcare staff or patients affected by the virus or supply issues due to closure of borders between countries. The long-term situation may impact regulatory meetings, monitoring of patients and motivational visits at sites. This can lead to delays in finalisation of clinical trials and delayed data read-out. Financing depends in part upon the prevailing market and the COVID-19 has led to an investor turmoil. This may affect the company's ability to raise funds going forward, and activities may need to be reduced according to funds available. The company has a currency hedge in place for future commitments in other currencies than NOK.

Allocation of Performance Share Units (PSUs)

The board of Nordic Nanovector ASA decided on March 24th, 2020 to grant 561 500 PSUs to employees in accordance with the authorisation granted at the annual general meeting held on April 25th, 2019. The PSUs are granted without consideration. Of the 561 500 allocated PSUs, 350 000 PSUs have been granted to members of the company's executive management, 17 000 PSUs have been granted to new employees and 194 500 PSUs have been granted to other current employees.

The PSUs allocated to the management of the company is in accordance with the board's declaration on salaries and other remuneration to the senior executive management, as approved by the company's AGM.

As of March 26th, 2020, the total number of outstanding options and PSUs are 1 718 410 and 986 750 respectively. Subject to all vesting conditions being fulfilled exercise of the options and PSUs would create a 3,93 per cent dilution of the outstanding shares on a fully diluted basis.

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, 2019, and that are not applied when preparing these financial statements. New and amended standards and interpretations expected to be relevant for the group's financial position, performance or disclosures are disclosed below.

Changes / improvements	Standard
New standards	• **No new relevant standards in issue but not yet adopted**
Amendments	• **Amendments to references to the conceptual framework** Amendments to references to the conceptual framework in IFRS standards sets out amendments to IFRS standards, their accompanying documents and IFRS practice statements to reflect the issue of the revised conceptual framework for financial reporting in 2018. *The amendments will have accounting effect from January 1st, 2020. The implementation is not expected to have material impact on the financial statements.* • **Amendments to IFRS 3 definition of a business** The amendments will help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the board has provided supplementary guidance. *The amendments will have accounting effect from January 1st, 2020. The implementation is not expected to have material impact on the financial statements.*

9.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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. *As per January 1st, 2019, the implementation of IFRS 16 increases the value of total assets by NOK 6.6 million and associated liability by the same amount, classified as short-term and long-term debt of NOK 1.5 and NOK 5.1 mill respectively. At the same date, the implementation caused a change in equity ratio for the group, from 76.7 per cent to 75.6 per cent. In the parent the equity ratio changed from 75.3 per cent to 74.4 per cent. See note 4.2 for more information on leases.*
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 is effective from January 1st, 2019 and was implemented in the same year. *The implementation did not have any 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.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Auditor's report

Statsautoriserte revisorer
Ernst & Young AS

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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 balance sheets as at 31 December 2019, the statement of profit and loss and other comprehensive income, 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 2019 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 2019. 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 on the other information obtained prior to the date of the auditor's report, 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

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control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that

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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.

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, 26 March 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Tommy Romskaug
State Authorised Public Accountant (Norway)

Other information

Financial calendar

- Q1 2020 results: 26 May 2020
- Q2 2020 results: 27 August 2020
- Q3 2019 results: 19 November 2020

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 2020 – Quiet period: 12 – 25 May 2020
- Q2 2020 – Quiet period: 13 – 26 August 2020
- Q3 2020 – Quiet period: 05 – 18 November 2020

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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
- **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
- **BTK:** Bruton's tyrosine kinase
- **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 leukaemia
- **CMC:** Chemistry, manufacturing, and control
- **CMO:** Contract manufacturing organisation
- **COVID-19:** An infectious disease caused by severe acute respiratory syndrome coronavirus 2
- **CR:** Complete response
- **CRO:** Contract research organisation
- **CSR:** Corporate social responsibility
- **DLBCL:** Diffuse large B-cell lymphoma
- **DLT:** Dose limiting toxicity
- **DoR:** Duration of response
- **EANM:** Annual Congress of the European Association of Nuclear Medicine
- **EGM:** Extraordinary general meeting
- **EIP:** Long-term equity incentive plan
- **EIR:** Effetive interest rate
- **EMA:** European Medicines Agency
- **EMEA:** Europe, Middle East, and Africa
- **EU:** European Union
- **FDA:** Food and Drug Administration (US)
- **FL:** Follicular lymphoma
- **GMP:** Good manufacturing practice
- **GxP:** Good Clinical, Laboratory, and Manufacturing Practices
- **HaemOncs:** Haematologist-oncologist
- **Humalutin®:** Chimeric anti-CD37 ARC
- **IAS:** International accounting standards
- **IAS 17:** International accounting standard for leases
- **IAS 38:** International accounting standard for intangible assets
- **IDN:** Integrated delivery networks

- **IFE:** Institute for Energy Technology
- **IFRS:** International financial reporting standards
- **IFRS 16:** International financial reporting standard for leases
- **ITM:** Isotopen Technologien München AG
- **IND:** Investigational new drug
- **iNHL:** Indolent non-Hodgkin lymphoma
- **IPO:** Initial public offering
- **Lilotomab (Ilo):** 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
- **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
- **MOS:** Median overall survival
- **MZL:** Marginal Zone lymphoma
- **n:** Number
- **NHL:** non-Hodgkin lymphoma
- **NM:** Nuclear medicine
- **NNV003:** Chimeric anti-CD37 antibody developed by Nordic Nanovector
- **OCI:** Other comprehensive income
- **ORR:** Overall response rate (CR plus PR)
- **OS:** Overall survival
- **OTP:** Mandatory occupational pension scheme
- **PARADIGME:** Name of Nordic Nanovector's pivotal Phase 2b study
- **PCP**: Primary-care physician
- **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&D:** Research and development
- **R/R:** Relapsed/refractory
- **R:** Rituximab
- **RadOnc:** Radiation oncologist
- **R-CHOP:** Rituximab, hydroxydaunorubicin (doxorubicin), oncovin (vincristine), prednisolone
- **RSU:** Restricted share units
- **SCT:** Stem sell transplant
- **SD:** Stable disease
- **SOP:** Standard operating procedure
- **US:** United States

Notes

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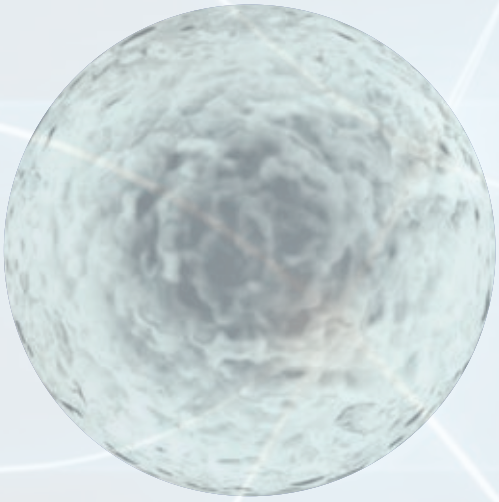

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