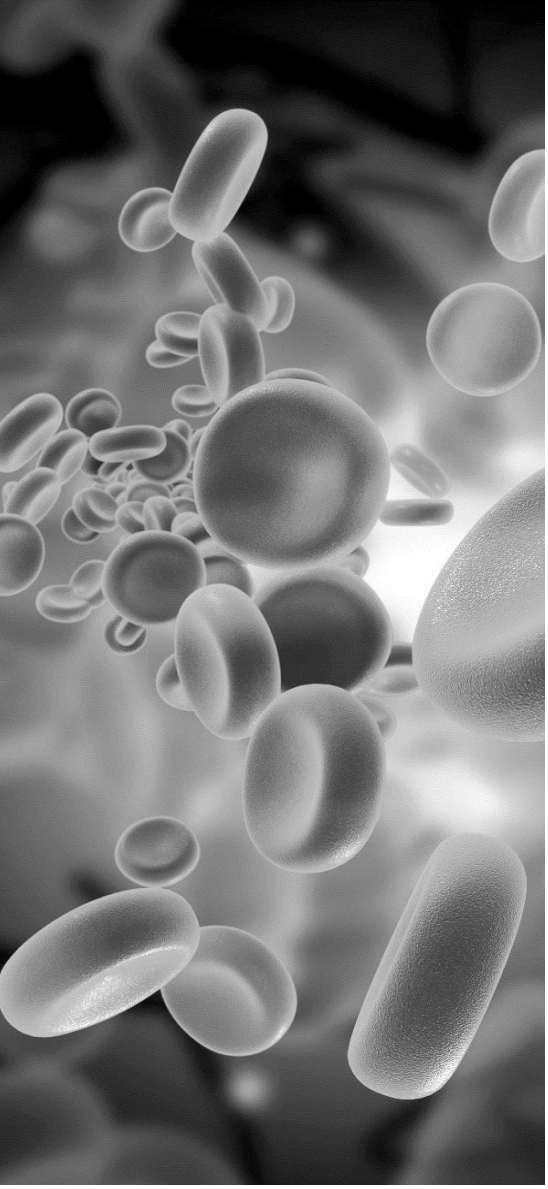


# First Quarter Report 2016

## Nordic Nanovector ASA

NORDIC NANOVECTOR

## Q1'16 Highlights

- **Steady operational progress on Betalutin®'s clinical development plan in Follicular Lymphoma**
  - Recruitment of sites is complete
  - Patients enrolment according to schedule to meet timelines for selection of optimal dose regimen for the pivotal Phase 2 PARADIGME trial
  - The Lymrit 37-05 (DLBCL) protocol design was accepted by the EU regulatory authorities, via the Voluntary Harmonisation Procedure
- **Received grant from Research Council of Norway**
  - Up to NOK 15 million grant from the Research Council of Norway's User-driven Research-based Innovation programme to support the discovery and development of novel targeted therapeutics for leukaemia and non-Hodgkin lymphoma (NHL)

## Events after Q1'16

- **Updated clinical results presented at the American Association of Cancer Research (AACR), continue to show Betalutin®'s promising efficacy and increasing Duration of Response**
  - Strong Overall Response Rate (ORR) and Complete Response (CR) in the entire patient population increases in Phase 2 cohort
  - Further increase in Duration of Response (DoR)
  - Highly favourable, predictable and manageable safety profile
- **Progress on advancing platform to deliver future pipeline products**
  - Received clearance of the Investigational New Drug (IND) application, enabling initiation of the study in the US, a new Phase 1 clinical study of Betalutin® in a second NHL indication, diffuse large B cell lymphoma (DLBCL)
  - Research and development collaboration entered with Paul Scherrer Institute (PSI) , aiming at developing new Antibody-Radionuclide-Conjugates (ARCs) for treatment of single cell leukaemias
  - First good manufacturing process (GMP) batch of the chimeric HH1 antibody successfully completed

## Key figures

| Amounts in MNOK (except earnings/loss per share) | Quarter and Year to date | | Full Year |
|---|---|---|---|
| | Q1 - 2016 | Q1 - 2015 | 2015 |
| Total revenue | 0.1 | 0.1 | 0.4 |
| Total operating expenses | 52.7 | 35.9 | 183.5 |
| Operating profit (loss) | -52.7 | -35.8 | -183.1 |
| Net financial items | -11.3 | 2.1 | 10.4 |
| **Total comprehensive income (loss) for the period** | **-64.1** | **-33.7** | **-173.1** |
| **Basic and diluted earnings (loss) per share** | **-1.44** | **-1.18** | **-4.28** |
| **Number of employees** | **26** | **24** | **26** |
| Net change in bank deposits, cash and equivalents | -71.5 | 444.4 | 406.4 |
| Cash and equivalents at beginning of period | 743.4 | 337.0 | 337.0 |
| **Cash and equivalents at end of period** | **671.9** | **781.4** | **743.4** |

***Updated clinical results presented at AACR in April confirm the potential of Betalutin® to be a novel, safe and effective therapy for relapsed NHL patients. Lymrit 37-01 study is on track, with additional patients and more clinical sites enrolled. The company continues to develop the product pipeline, most recently by entering into a collaboration with PSI, aiming at developing new ARCs. Nordic Nanovector has made further progress to initiate investigation of Betalutin® in DLBCL, having received clearance of the IND application in the US as well as acceptance of protocol design from the EU regulatory authorities.***

## Operational review

**Updated clinical results with Betalutin®**

Nordic Nanovector presented updated results of its ongoing Phase 1/2 (Lymrit 37-01) study with Betalutin® in relapsed NHL patients at the AACR Annual Meeting in New Orleans in April. Data confirm Betalutin®'s favourable safety profile and its promising efficacy as a single agent in patients who have failed several prior treatments regimens. Presented data also revealed an increased DoR. Previously reported data were presented in June 2015 at the 13th International Conference on Malignant Lymphoma on 11 FL patients. One patient recruited into the study had transformed disease and was excluded from the response rate calculation.

Lymrit 37-01 study is a Phase 1/2 single dose, open label, dose-finding study investigating three dose levels. 21 patients with relapsed CD37+ NHL (19 with FL and two with Mantle Cell Lymphoma), previously treated with up to eight treatment regimens were evaluated.

Key conclusions:

- Betalutin® is well tolerated, with a predictable and manageable safety profile. Most adverse events are haematological in nature, all transient and reversible
- Betalutin® delivers a highly favourable response rate (best response) in this heavily treated patient population (Overall Response Rate 63.2% and Complete Response 31.6%)
- Clinical responses observed were sustained, with DoR exceeding 12 months in most responders in the 15 MBq/kg group who have been followed up for at least 12 months.

### Phase 1/2 trial (Lymrit 37-01)

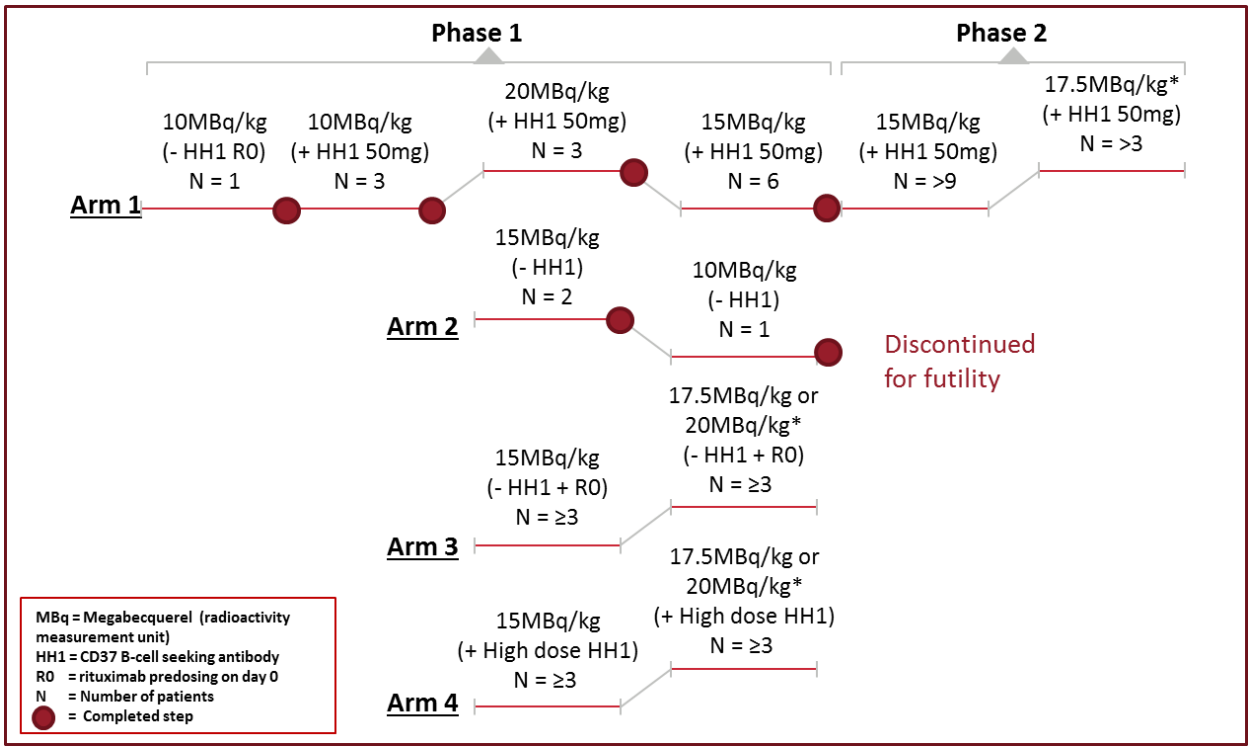
The Lymrit 37-01 study involves four different treatment arms to investigate various Betalutin® doses and pre-dosing regimens in order to select the best dose combination for the pivotal Phase 2 PARADIGME trial, as illustrated in the following chart. The study is on track to meet timelines for the selection of the optimized dosing regimen for PARADIGME, which is expected during the first quarter of 2017. Treatment of the first patient in the PARADIGME study is expected to start during the second half of 2017.

Recruitment into the Phase 2 part of Arm 1 is progressing as planned. A decision to increase the dose of Betalutin® to 17.5 MBq/kg or 20 MBq/kg may be taken by the Safety Review Committee based on the review of the safety data in the 15 patients treated with 15 MBq/kg. Should the decision be favourable, the recruitment of patients into this dose-escalation phase will commence in the second half of 2016.

The first of up to 12 FL patients was enrolled into Arm 3 in May. Patients in this arm will be pre-treated with standard anti-CD20 immunotherapy (rituximab) prior to receiving Betalutin® at 15MBq/kg. The first patient in the

last cohort (Arm 4) was also enrolled in the expanded Phase 1/2 study in May. Arm 4 is designed to investigate the safety and efficacy of Betalutin® in up to 12 patients with relapsed FL pre-dosed with high-dose unconjugated "cold" HH1 anti-Cd37 antibody on day 0, a few hours prior the injection of Betalutin®. A decision to increase the dose of Betalutin® to 17.5MBq/kg or 20 MBq/kg in one or the other cohort can be made based on the evaluation of the safety and efficacy data observed in the first three patients of both cohorts.

Arm 2, in which no pre-dosing regimen was used, is considered completed.




* Dose decision based on safety data and Safety Review Board's recommendation

A total of 11 sites are qualified for the expanded Phase 1 plan as of April 2016, of which 10 are necessary and one is added as a back-up. A total of 16 sites are currently active for the Phase 2 part of the study, which is considered to be adequate for the present stage of the study.

The company is initiating a dosimetry study in Germany. The study will provide important information about absorbed radiation dose by tumour and normal tissues. The study will commence upon approval from the German Radiation Agency (BfS).

### Investigating Betalutin® in a second NHL indication

Nordic Nanovector aims to maximise the commercial potential of Betalutin® by conducting clinical studies in a second NHL indication, DLBCL, which together with FL, represent the two most common forms of NHL. At first, the company plans to investigate Betalutin® in relapsed DLBCL patients ineligible for stem cell transplant. This represents the most prevalent relapsed DLBCL patient population and the one with the greatest unmet medical need.

Received clearance of the Investigational New Drug (IND) application, enabling initiation of the study in the US in May. The protocol design had been accepted by the EU regulatory authorities, via the Voluntary Harmonisation Procedure during the first quarter. The study has a classical 3+3 dose-escalation design and is expected to enrol up to 24 patients in the US and Europe. The study is designed to identify an optimal dose regimen of Betalutin® in patients pre-dosed with unconjugated "cold" HH1 anti-CD37 antibody to take into Phase 2.

In approving the IND to commence this study, FDA requested that an additional 3+3 cohort be included at the start of the study to investigate a regimen involving an intermediate pre-dose of cold HH1 prior to Betalutin® injection. Nordic Nanovector intends to adopt the FDA requested amendment also in Europe and plans to initiate the application process for the amended design with the relevant EU regulators as soon as possible. Pending approval of the amended design, the company now expects the first DLBCL patient to be enrolled and treated in the second half of 2016 compared to the first half of 2016 as previously communicated.

### Pipeline development – research and development update

While Nordic Nanovector's main focus is on its clinical development programs, the company is also undertaking research and development (R&D) to investigate the potential of Betalutin® in combination with rituximab. To grow its pipeline, Nordic Nanovector is leveraging its ARC expertise with partners to identify opportunities for ARCs consisting of a chimeric anti-CD37 antibody (NNV003) and other radioactive nuclides as cytotoxic agents. The company has had strong progress in the manufacturing development of the NNV003 antibody, and successfully produced the first GMP batch. The next step is to develop the GMP method for production of the DOTA conjugated NNV003 antibody.

Results from preclinical studies presented during 2015 comparing Betalutin® with an ARC comprising Lu-177 and NNV003 indicated that the latter has certain features that could make it suitable for applications in 1$^{st}$ line B-cell tumours. Such characteristics include its ability (1) to elicit reduced levels of human anti-drug antibody responses compared to murine HH1 (the anti-CD37 antibody on which Betalutin® is based), thus offering the potential for multiple and repeated doses to be administered over time, and (2) to induce the immune system to destroy target tumour cells.

In April, the company entered into a R&D collaboration programme with PSI in Switzerland. The collaboration is focused on developing new ARCs optimised for the treatment of single cell leukaemias, such as chronic lymphocytic leukaemia (CLL) and acute myeloid leukaemia (AML). CLL and AML are serious orphan diseases with a survival rate for AML at five years of only 26%, and 82% for CLL. These indications represent a significant unmet medical need affecting more than 50,000 patients per year worldwide. Together these two indications represent a growing market worth over USD 4 billion per year.

The collaboration will explore the use of different radionuclide payloads, provided by PSI, linked to NNV003 to combine specific tumour-targeting with tumour-eradicating radiation. Successful candidates are expected to be advanced into preclinical and clinical trials.

The PSI collaboration will also benefit from up to NOK 15 million grant funding awarded to Nordic Nanovector in February 2016 from the Research Council of Norway's user-driven research-based innovation program (in Norwegian; Brukerstyrt innovasjonsarena, BIA). The grant will be distributed over the course of three years, with the first payment scheduled in 2016.

Nordic Nanovector's discovery project in multiple myeloma, AFFILUTIN, is proceeding according to plan. The project is conducted together with Affibody in Sweden, and partly financed by Eurostars and SkatteFUNN. The short term aim is to identify affibody molecules that can bind to a protein target on multiple myeloma cells for later development of an ARC for treatment of multiple myeloma.

# Financial review

The interim consolidated financial statements for Nordic Nanovector Group as of 31 March 2016 have been prepared in accordance with the International Accounting Standard (IFRS) 34 interim financial reporting.

### Interim consolidated statement of profit or loss

(Figures in brackets = same period 2015 unless stated otherwise)

Revenues in the first quarter Q1 2016 amounted to NOK 0.078 million (NOK 0.076 million), primarily consisting of sales of incubator services and sublease of office and laboratory facilities.

Total operating expenses for the quarter was NOK 52.7 million (NOK 35.9 million), primarily driven by an increase in other operating expenses amounting to NOK 39.5 million (NOK 24.3 million). The increase was the result of higher clinical study activities for Betalutin® as well as research and development activities related to new product candidates in the discovery and preclinical phase. Research and development expenses accounted for 74.1 per cent of total operating expenses in the first quarter of 2016 (50.3 per cent). Payroll and related expenses amounted to NOK 12.9 million for the quarter (NOK 11.4 million), the increase reflecting higher headcount.

Operating profit for the quarter was a loss of NOK 52.7 million (loss of NOK 35.8 million), for the reasons stated above.

Net financial items came to negative NOK 11.3 million (NOK 2.1 million) mainly due to currency fluctuations on bank accounts in foreign currencies.

Nordic Nanovector's comprehensive loss for the quarter amounted to NOK 64.1 million (loss of NOK 33.7 million), due to the reasons stated above.

### Financial position

Total assets at 31 March 2016 amounted to NOK 691.1 million, down from NOK 760.4 million at 31 December 2015. The decline was due to a lower cash holding following higher operational activities described above and currency fluctuations on bank deposits in foreign currencies.

Total liabilities were NOK 40.7 million at the end of the first quarter, down NOK 6.9 million from year end 2015 primarily following payments of accounts payable.

Total shareholders' equity at 31 March 2016 was NOK 650.3 million (NOK 712.7 million at year end 2015), corresponding to an equity ratio of 94.1 per cent (93.8 per cent at year end 2015).

### Cash flow

Net cash flow from operating activities was negative NOK 58.5 million in the first quarter (negative NOK 26.7 million), reflecting the impact of higher research and development activities.

Net cash flow from investing activities was negative NOK 0.1 million (negative NOK 1.2 million), primarily consisting of investments in infrastructure, lab equipment and IT hardware and software.

The group recorded no cash flow from financing activities during the first quarter of 2016.

Exchange rate fluctuations in the quarter had an negative impact of NOK 12.9 million on cash and cash equivalents during the quarter.

Cash and cash equivalents amounted to NOK 671.9 million at the end of March 2016, compared to NOK 743.4 million at the end of December 2015.

## Strategy and outlook

Nordic Nanovector is committed to develop, manufacture 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 ARC for haematological cancers. The strategic roadmap to realise this aspiration is:

- Primary focus of financial and other resources directed to the clinical development of Betalutin® to achieve first regulatory filings in NHL in 1H 2019, and in parallel to run additional trials in 2nd line FL and DLBCL;
- Establish a development and commercialisation plan for Betalutin® with the intent to deliver a differentiated Target Product Profile that meets the requirements of both regulatory and reimbursement agencies, while achieving a strong and competitive market position;
- Leverage the company's proprietary ARC technology to target challenging haematological cancers where the unmet medical need is high, such as NHL, chronic lymphocytic leukaemia, multiple myeloma, and other B cell malignancies, through focused strategic investments in discovery research;
- Continue to reinforce the company's organisation through attracting key talents with strong technical and international experience while maintaining flexibility and efficiency.

The promising updated results from the ongoing Phase 1/2 study with Betalutin®, the good progress made in advancing this study and strong findings from the research and development pipeline bode well for Nordic Nanovector's operations going forward. Management will continue to focus its efforts on the efficient execution of its plans and to meet anticipated clinical milestone. Current cash resources are expected to be sufficient to reach the first regulatory submission for Betalutin® in FL in the first half of 2019.

Oslo, 18 May 2016

The Board of Directors
Nordic Nanovector ASA

## Interim condensed consolidated statement of profit or loss and other comprehensive income

| Amounts in NOK 1000 | Note | Quarter and Year to date | | Full year |
|---|---|---|---|---|
| | | Q1 - 2016 | Q1 - 2015 | 2015 |
| Revenues | 8 | **78** | **76** | **437** |
| **Total revenues** | | **78** | **76** | **437** |
| Payroll and related expenses | 4, 5 | 12 944 | 11 397 | 52 360 |
| Depreciation | | 261 | 200 | 994 |
| Other operating expenses | 4, 8 | 39 538 | 24 302 | 130 178 |
| **Total operating expenses** | | **52 743** | **35 899** | **183 532** |
| **Operating profit (loss)** | | **-52 665** | **-35 823** | **-183 095** |
| **Finance income and finance expenses** | | | | |
| Finance income | | 1 608 | 2 329 | 12 214 |
| Finance expenses | | 12 893 | 241 | 1 796 |
| **Net financial items** | | **-11 285** | **2 088** | **10 418** |
| **Loss before income tax** | | **-63 950** | **-33 735** | **-172 677** |
| Income tax | | -31 | -0 | -398 |
| **Loss for the period** | | **-63 981** | **-33 735** | **-173 075** |
| **Other comprehensive income (loss), net of income tax to be reclassified to profit and loss in subsequent periods** | | | | |
| Translation effects | | -121 | 50 | -37 |
| **Total comprehensive income (loss) for the period** | | **-64 102** | **-33 685** | **-173 112** |
| **Loss for the period attributable to owners of the Company** | | -63 981 | -33 735 | -173 075 |
| **Total comprehensive income (loss) for the period attributable to owners of the Company** | | -64 102 | -33 685 | -173 112 |
| **Earnings (loss) per share** | | | | |
| Basic and diluted earnings (loss) per share in NOK | 9 | -1.44 | -1.18 | -4.28 |

The interim financial information has not been subject to audit.

## Interim condensed consolidated statement of financial position

| Amounts in NOK 1000 | Note | 31.03.2016 | 31.12.2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 2 696 | 2 807 |
| **Total property, plant and equipment** | | **2 696** | **2 807** |
| **Receivables** | | | |
| Other non-current receivables | | 0 | 0 |
| **Total non-current receivables** | | **0** | **0** |
| **Current assets** | | | |
| **Receivables** | | | |
| Other current receivables | 4,8 | 16 475 | 14 193 |
| **Total receivables** | | **16 475** | **14 193** |
| **Cash and cash equivalents** | | 671 892 | 743 367 |
| **Total current assets** | | **688 367** | **757 560** |
| **TOTAL ASSETS** | | **691 063** | **760 367** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Share capital | 6 | 8 904 | 8 904 |
| Share premium | 6 | 969 175 | 969 175 |
| Other paid in capital | 5 | 14 676 | 12 973 |
| Accumulated losses | | -342 414 | -278 314 |
| **Total shareholders' equity** | | **650 341** | **712 738** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable | 8 | 14 000 | 20 156 |
| Tax payable | | 316 | 404 |
| Other current liabilities | 10 | 26 406 | 27 069 |
| **Total current liabilities** | | **40 722** | **47 629** |
| **Total liabilities** | | **40 722** | **47 629** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **691 063** | **760 367** |

The interim financial information has not been subject to audit.

## Interim condensed consolidated statement of changes in equity

| For the period ended 31 March | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Amounts in NOK 1000** | **Note** | **Share capital** | **Share premium** | **Equity-settled share-based payments** | **Accumulated losses** | **Translation effects** | **Total equity** |
| **Balance at 1 January 2015** | | **5 310** | **426 339** | **3 763** | **-105 037** | **-164** | **330 211** |
| Loss for the year | | | | | -173 075 | 0 | -173 075 |
| Other comprehensive income (loss) for the year net of income tax | | | | | 0 | -37 | -37 |
| **Total comprehensive income for the year** | | **0** | **0** | **0** | **-173 075** | **-37** | **-173 212** |
| Recognition of share-based payments | 5 | 0 | 0 | 9 210 | 0 | 0 | 9 210 |
| Issue of ordinary shares | 6 | 3 594 | 571 406 | 0 | 0 | 0 | 575 000 |
| Share issue costs | 6 | 0 | -28 571 | 0 | 0 | 0 | -28 571 |
| **Balance at 31 December 2015** | | **8 904** | **969 175** | **12 973** | **-278 113** | **-201** | **712 738** |
| Loss for the year | | | | | -63 980 | 0 | -63 980 |
| Other comprehensive income (loss) for the year, net of income tax | | | | | | -121 | -121 |
| **Total comprehensive income for the year** | | **0** | **0** | **0** | **-63 980** | **-121** | **-64 100** |
| Recognition of share-based payments | 5 | 0 | 0 | 1 703 | 0 | 0 | 1 703 |
| **Balance at 31 March 2016** | | **8 904** | **969 175** | **14 676** | **-342 093** | **-321** | **650 341** |

| **Amounts in NOK 1000** | **Note** | **Share capital** | **Share premium** | **Equity-settled share-based payments** | **Accumulated losses** | **Translation effects** | **Total equity** |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2015** | | **5 310** | **426 339** | **3 763** | **-105 037** | **-164** | **330 211** |
| Loss for the period | | | | | -33 735 | 0 | -33 735 |
| Other comprehensive income (loss) for the year net of income tax | | | | | 0 | 50 | 50 |
| **Total comprehensive income for the year** | | **0** | **0** | **0** | **-33 735** | **50** | **-33 685** |
| Recognition of share-based payments | 5 | 0 | 0 | 2 525 | 0 | 0 | 2 525 |
| Issue of ordinary shares | 6 | 3 125 | 496 875 | 0 | 0 | 0 | 500 000 |
| Share issue costs | 6 | 0 | -27 684 | 0 | 0 | 0 | -27 684 |
| **Balance at 31 March 2015** | | **8 435** | **895 529** | **6 288** | **-138 772** | **-114** | **771 366** |

The interim financial information has not been subject to audit.

## Interim condensed consolidated statement of cash flow

| Amounts in NOK 1000 | Note | Quarter and year to date | Quarter and year to date |
|---|---|---|---|
| | | 2016 | 2015 |
| **Cash flow from operating activities** | | | |
| **Loss for the period before income tax** | | **-63 950** | **-33 735** |
| Adjustments for: | | | |
| Interest received | | -40 | -202 |
| Share option expense employees | 5 | 1 703 | 2 525 |
| Taxes paid | | -67 | -49 |
| Depreciation | | 261 | 200 |
| Currency (gains) losses not related to operating activities | | 12 893 | 0 |
| Changes in working capital and non-cash adjustments | | -9 272 | 4 546 |
| **Net cash flow from operating activities** | | **-58 472** | **-26 715** |
| **Cash flow from investing activities** | | | |
| Investments in property plant and equipment and intangible assets | | -150 | -1 415 |
| Interests received | | 40 | 202 |
| **Net cash flow from investing activities** | | **-110** | **-1 213** |
| **Cash flows from financing activities** | | | |
| Net proceeds from equity issue | 6 | 0 | 472 316 |
| **Net cash flow from financing activities** | | **0** | **472 316** |
| Effects of exchange rate changes on cash and cash equivalents | | -12 893 | 0 |
| Net change in bank deposits, cash and equivalents | | -71 475 | 444 388 |
| Cash and equivalents at beginning of period | | 743 367 | 337 018 |
| **Cash and equivalents at end of period** | | **671 892** | **781 406** |

The interim financial information has not been subject to audit.

# Nordic Nanovector ASA – Notes to the condensed interim financial statements for the three months ended 31 March 2016

## Note 1. General information

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

The figures in this first quarter 2016 report are non-audited figures.

These financial statements were approved for issue by the Board of Directors on 18 May 2016.

## Note 2. Basis for preparation and significant accounting policies

The principal accounting policies applied in the preparation of these financial statements can be found in the group's Annual Report 2015. These policies have been consistently applied in all periods presented. Amounts are in Norwegian kroner (NOK) unless stated otherwise. The functional currency of the group is NOK.

**Basis of preparation of the annual accounts**

The Nordic Nanovector Group's interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) which have been adopted by the EU and are mandatory for financial years beginning on or after 1 January 2015, and Norwegian disclose requirements listed in the Norwegian Accounting Act as of 31 December 2015. The financial statements have been prepared on the historical cost basis, with the exception of receivables and other financial liabilities which are recognised at amortised cost.

## Note 3. Critical accounting judgments and key sources of estimation uncertainty

**Critical accounting estimates and judgments**

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2015.

## Note 4. Government grants

Government grants have been recognised in profit or loss as a reduction of the related expense with the following amounts:

| Amounts in NOK 1000 | Quarter and year to date | |
|---|---|---|
| | Q1 2016 | Q1 2015 |
| Payroll and related expenses | 431 | 558 |
| Other operating expenses | 1 504 | 911 |

1) In 2016, the company received a new grant of up to NOK 15 million grant from the Research Council of Norway's User-driven Research-based Innovation programme (in Norwegian; Brukerstyrt innovasjonsarena, BIA). The purpose of the grant is to support research and development of novel targeted therapeutics for leukemia and NHL. The company will investigate further the potential of chHH1 in a preclinical program with the intention, if successful, of taking it forward into clinical studies. The grant will be distributed to the company over the course of three years, with the first payment scheduled for in 2016. For the financial period ended 31 March 2016, the company has recognised NOK 0.8 million classified partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.

2) The company has been awarded a grant from The Research Council program for user-managed innovation arena (BIA) of NOK 10.2 million in total for the period 2012 through 1H 2016. For the financial period ended 31 March 2016, the company has recognised NOK 0.05 million (as of 31 March, 2015: NOK 0.5 million) classified partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.

3) The Research Council Eurostars has awarded a grant supporting a collaboration research agreement with Affibody AB for the period 2014 through 2017 of NOK 4 million in total. For the financial period ended 31 March 2016, the company has recognised NOK 0.3 million (31 March, 2015: NOK 0.2 million) partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.

4) R&D projects have been approved for SkatteFUNN grants for the period 2012 through 2017. For the financial period ended 31 March 2016, the company has recognised NOK 0.7 million compared to NOK 0.8 million for the same period in 2015. The amount was recognised partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.

## Note 5. Employee share option program

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

| Amounts in NOK | Q1 2016 | |
|---|---|---|
| | Number of options | Weighted average exercise price |
| Balance at 1 January | 2 171 576 | 26.77 |
| Granted during the year | 510 000 | 14.24 |
| Exercised during the year | 0 | 0 |
| Forfeited | 0 | 0 |
| **Balance at period end** | **2 681 576** | **24.39** |

In general, 1/3 of the options granted in the 2011 to 2012 vested immediately upon grant. The remaining 2/3 vested in two portions (1/3 each time) at the achievement of defined milestones. The options granted under this program may be exercised twice a year, either in the period from 15 January to 15 February, or 1 August to 15 September each year from the date of vesting until expiry.

The options granted in 2014, 2015 and 2016 vest in accordance with the following vesting schedule: (i) 25% of the options vest 12 months after the date of grant and (ii) 1/36 of the remaining options vest each month thereafter. It is a condition for vesting that the option holder is an employee of the group at the time of vesting. Vested options may be exercised in a period of 15 Norwegian business days from the day following the day of the company's release of its annual or quarterly results, unless the Board of Directors resolves otherwise. The options expire seven years from grant date.

## Note 6. Share capital and shareholder information

Share capital as at 31 March 2016 is NOK 8 903 808 (31 December 2015: NOK 8 903 808), being 44 519 041 ordinary shares at a nominal value of NOK 0.20. All shares carry equal voting rights.

| **The change in the number of shares during the period was as follows:** | **Q1 2016** | **2015** |
|---|---|---|
| Ordinary shares at 1 January | 44 519 041 | 26 550 291 |
| Issue of ordinary shares [1)] | 0 | 17 968 750 |
| **Ordinary shares [2)]** | **44 519 041** | **44 519 041** |

1) Nordic Nanovector undertook its Initial Public Offering (IPO) in March 2015, in conjunction with the listing of its shares on the Oslo Stock Exchange (OSE). The IPO was upsized from NOK 400 million to NOK 500 million on the basis of strong investor demand, and oversubscribed at the issue price of NOK 32. As a result, Nordic Nanovector raised NOK 500 million in gross proceeds from the sale of 15 625 000 shares at the issue price, from domestic and international institutional investors (Europe and US) and retail investors in Norway.

   No stabilisation activities were undertaken in connection with Nordic Nanovector's initial public offering in March. The stabilisation manager exercised 22 April 2015 the option to purchase from the company 2 343 750 new shares in the company, equalling 15% of the aggregate number of new shares allocated in the public offering, at a price per share of NOK 32, which is equal to the offer price. The 2 343 750 shares were delivered to HealthCap VI L.P. from whom the same number of shares were borrowed in connection with the over-allotment and stabilisation activities in the offering.

   After the issuance of the shares in connection with the exercise of the over-allotment option, the company had 44 519 041 shares in issue and received NOK 75 million in additional proceeds from the offering. Total gross proceeds from the offering increased to NOK 575 million.

2) The Annual General Meeting held 9 March 2015 granted an authorisation to increase the share capital limited to 10% of the share capital following the IPO, to be used in connection with the share based incentive programs for the group's employees. Of the authorised 4 451 904 shares, 2 681 576 shares are granted (ref. note 5). The authorisation is valid until 26 June 2016 and replaces the authorisation granted at the Extraordinary General Meeting held on 27 June 2014.

**Nordic Nanovector ASA had 2,826 shareholders as at 31 March 2016.**

| | Shareholders | Number of shares | Percentage of total shares |
|---|---|---|---|
| 1 | HealthCap VI L.P. | 5 445 833 | 12.23 % |
| 2 | Folketrygdfondet | 3 665 685 | 8.23 % |
| 3 | Sciencons AS (Roy Hartvig Larsen) | 1 200 000 | 2.70 % |
| 4 | Inven2 AS | 1 091 675 | 2.45 % |
| 5 | Linux Solutions Norge AS | 882 306 | 1.98 % |
| 6 | Must Invest AS | 789 142 | 1.77 % |
| 7 | Radiumhospitalets Forskningsstiftelse | 728 518 | 1.64 % |
| 8 | Storebrand Vekst | 696 711 | 1.56 % |
| 9 | VPF Nordea Kapital | 660 808 | 1.48 % |
| 10 | Invesco Perp EUR | 659 209 | 1.48 % |
| 11 | Roy Hartvig Larsen | 601 777 | 1.35 % |
| 12 | Boddco AS | 530 000 | 1.19 % |
| 13 | OM Holding AS | 520 000 | 1.17 % |
| 14 | Birk Ventures AS | 500 000 | 1.12 % |
| 15 | Ro Invest AS | 500 000 | 1.12 % |
| 16 | Skandinaviska Enskilda Banken AB | 500 000 | 1.12 % |
| 17 | VPF Nordea Avkastning | 480 310 | 1.08 % |
| 18 | Nordnet Livsforsikring AS | 461 999 | 1.04 % |
| 19 | Portia AS | 450 000 | 1.01 % |
| 20 | Storebrand Norge I | 444 774 | 1.00 % |
| | **Total shares for top 20 shareholders** | **20 808 747** | **46.74 %** |
| | Total shares for other 2 806 shareholders | 23 710 294 | 53.26 % |
| | **Total shares (2 826 shareholders)** | **44 519 041** | **100.00 %** |

The shares of Nordic Nanovector ASA have been traded on the Oslo Stock Exchange since 23 March 2015, and the shareholder base has increased from 535 shareholders as of 31 December 2014 to 2 826 shareholders as of 31 March 2016.

## Note 7. Information about subsidiaries

| The interim consolidated financial statements of the Group include: | | % Equity interest | |
|---|---|---|---|
| **Name** | **Country of incorporation** | **Q1 2016** | **2015** |
| Nordic Nanovector GmbH | Switzerland | 100 | 100 |
| Nordic Nanovector Ltd | United Kingdom | 100 | 100 |

Nordic Nanovector is a public limited company incorporated and domiciled in Norway. The company is the parent company in the group. The group's operations are carried out by the company and its wholly owned subsidiaries Nordic Nanovector GmbH and Nordic Nanovector Ltd. Nordic Nanovector GmbH is incorporated in Zug, Switzerland, with its registered address at *Dammstrasse 19, Zug, Switzerland*. Nordic Nanovector Ltd is incorporated in London, England, with its registered address *at Paternoster House, 65 St. Paul's Churchyard, London EC4M 8A, United Kingdom.*

## Note 8. Transactions with related parties

Details of transactions between the group and related parties are disclosed below:

| **Amounts in 1000 NOK** | | | | |
|---|---|---|---|---|
| **During the year, the Company entered into the following trading transactions with related parties:** | | | | |
| | **Sales (included in revenue)** | | **Purchases (included in other operating expenses)** | |
| | **Q1 2016** | **Q1 2015** | **Q1 2016** | **Q1 2015** |
| Companies controlled by board member | 78 | 76 | 16 | 0 |
| **At 31 March, the Company had the following balances with related parties:** | | | | |
| | **Amounts owed by related parties (included in other receivables)** | | **Amounts owed to related parties (included in accounts payable)** | |
| | **31.03.2016** | **31.03.2015** | **31.03.2016** | **31.03.2015** |
| Companies controlled by board member | 98 | 8 | 0 | 0 |

## Note 9. Earnings per share

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

| | Q1 2016 | Q1 2015 |
|---|---|---|
| Loss for the period (in NOK) | -63 981 000 | -33 735 000 |
| Average number of outstanding shares during the year | 44 519 041 | 28 481 471 |
| **Earnings (loss) per share - basic and diluted** | **-1.44** | **-1.18** |

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

## Note 10. Other current liabilities

| Amounts in NOK 1000 | 31.03.2016 | 31.12.2015 |
|---|---|---|
| Unpaid duties and charges | 4 010 | 4 390 |
| Unpaid vacation pay | 2 639 | 1 877 |
| Other accrued costs | 19 757 | 20 802 |
| **Other current liabilities** | **26 406** | **27 069** |

Other accrued costs for period ended 31 March 2016 are mainly related to development cost of the lead product candidate Betalutin®.

## Note 11. Events after reporting date

On 20 April 2016 a total number of 30 000 options at a strike price of NOK 6.25, and 48 333 options at a strike price of NOK 6.75 were exercised. Each option gives the right to acquire one share in the company. The Board of Directors of the company has approved the exercise of the options and resolved to increase the company's share capital by NOK 15 666.6 through the issuance of 78 333 new shares, each at a nominal or par value of NOK 0.20. Subsequent to the issuance of the new shares, the company's share capital will be NOK 8 919 474.86 divided into 44 597 374 shares, each at a nominal or par value of NOK 0.20. The share capital increase was registered 29 April 2016.

In April 2016, Nordic Nanovector entered into a research and development collaboration programme with Paul Scherrer Institute (PSI) in Switzerland. The collaboration aims at developing new antibody radionuclide conjugates optimised for the treatment of single cell leukaemias, such as chronic lymphocytic leukaemia and acute myeloid leukaemia. The collaboration will benefit from grant funding recently awarded to Nordic Nanovector from the Research Council of Norway’s user-driven research-based innovation program.

On 18 April 2016, Nordic Nanovector presented updated results of its ongoing Phase 1/2 study with Betalutin® in relapsed non-Hodgkin lymphoma (NHL) patients at the American Association of Cancer Research Annual Meeting 2016. The updated data in the poster confirm the favourable safety profile of Betalutin® and its promising efficacy as a single agent in patients who have failed many prior regimens, characterised by a sustained duration of response. The results showed that Betalutin® was generally well tolerated and showed a 63.2% Overall Response Rate including 31.6% Complete Response.

## Additional information

### Glossary of terms

- **1L, 2L, 3L**: first, second and third line of treatment
- **ARC:** Antibody-Radionuclide-Conjugate
- **(A)SCT**: (Autologous) stem cell transplant
- **ASH:** American Society of Hematology Annual Meeting
- **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.
- **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
- **CR:** Complete response
- **DLBCL**: Diffuse Large B-Cell Lymphoma
- **FL:** Follicular Lymphoma
- **FDA:** Food and Drug Administration
- **HH1:** Betalutin® consists of the radionuclide lutetium-177 which is joined to the B-cell seeking antibody HH1. The HH1 antibody in Betalutin® binds to the CD37 antigen B-cells (NHL cells).
- **IFRS:** International Financial Reporting Standard
- **IND**: Investigational New Drug
- **IPO**: Initial Public Offering
- **KOL**: Key opinion leader
- **LCM:** Lifecycle management
- **Lu-177:** Radionuclide lutetium-177
- **MBq:** Megabecquerel (radioactivity measurement unit)
- **M.D:** Medical doctor
- **nASCT:** Not eligible for autologous stem cell transplant
- **NHL:** Non-Hodgkin Lymphoma
- **OSE**: Oslo Stock Exchange
- **ORR**: Overall response rate (the CR and PR, jointly)
- **PARADIGME:** Name of Nordic Nanovector's pivotal Phase 2 study
- **PFS**: Progression free survival
- **PR:** Partial response
- **QoL**: Quality of life
- **R:** Rituximab
- **RIT:** Radioimmunotherapy
- **SAB:** Scientific Advisory Board
- **SD:** Stable disease
- **T-cell:** A type of lymphocyte (white blood cell) that plays a central role in cell-mediated immunity. Can be distinguished from other lymphocytes by the presence of a T-cell receptor (TCR) on the cell surface. They are called T-cells because they mature in the thymus.

## Financial calendar

| | |
|---|---|
| Annual General Meeting: | 19 May 2016 |
| Capital Markets Day: | 31 May 2016 |
| Q2 2016 results: | 24 August 2016 |
| Q3 2016 results: | 16 November 2016 |

## Investor contact


| | |
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## Forward–looking statements

This report may contain certain forward-looking statements and forecasts based on uncertainty, since they relate to events and depend on circumstances that will occur in the future and which, by their nature, will have an impact on Nordic Nanovector's business, financial condition and results of operations. The terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "should", "projects", "will", "would" or, in each case, their negative, or other variations or comparable terminology are used to identify forward-looking statements. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied in a forward-looking statement or affect the extent to which a particular projection is realised. Factors that could cause these differences include, but are not limited to, implementation of Nordic Nanovector's strategy and its ability to further grow, risks associated with the development and/or approval of Nordic Nanovector's products candidates, ongoing clinical trials and expected trial results, the ability to commercialise Betalutin®, technology changes and new products in Nordic Nanovector's potential market and industry, 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.

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NORDIC NANOVECTOR

About Nordic Nanovector

Nordic Nanovector is a biotech company focusing on the development and commercialisation of novel targeted therapeutics in haematology and oncology. The Company's lead clinical-stage product opportunity is Betalutin®, the first in a new class of Antibody-Radionuclide-Conjugates (ARCs), designed to improve upon and complement current options for the treatment of non-Hodgkin Lymphoma (NHL). NHL is an indication with substantial unmet medical need and orphan drug opportunities, representing a growing market forecast to be worth over USD 12 billion by 2018.

Betalutin® comprises a tumour-seeking anti-CD37 antibody (HH1) conjugated to a low intensity radionuclide (lutetium-177). Preliminary data from an ongoing Phase 1/2 study, in a difficult-to-treat NHL patient population, has been encouraging, highlighting an attractive efficacy and safety profile for Betalutin®. The Company aims to rapidly develop Betalutin® for the treatment of major types of NHL with first regulatory submission in follicular lymphoma (FL) anticipated 1H 2019.

Nordic Nanovector intends to retain marketing rights and to actively participate in the commercialisation of Betalutin® in core markets, while exploring potential distribution agreements in selected geographies. The Company is committed to developing its ARC pipeline to treat multiple selected cancer indications.