First Quarter Report 2014

Nordic Nanovector AS

NORDIC NANOVECTOR

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Company in brief

Nordic Nanovector AS was established in 2009 by Roy H. Larsen and Inven2 on behalf of co-inventors Øyvind S. Bruland and Jostein Dahle. The lead product candidate Betalutin™ consists of lutetium-177, conjugated to a tumor seeking murine monoclonal antibody, HH1*, against CD37 antigen, which can be used for irradiation of malignant metastasized tumors with minimal damage to nearby healthy normal tissue. This technology aims to prolong and improve the quality of life of people who suffer from hematologic cancer, in particular non-Hodgkin Lymphoma (NHL). *Antibody HH1 developed by the Norwegian Radium Hospital.

Highlights for first quarter 2014

The first quarter of 2014, the Company's lead product candidate Betalutin™ has achieved the two major objectives from the Phase I portion of the ongoing Phase I/II clinical trial. The ongoing trial has demonstrated that Betalutin™ is safe and well tolerated in patients suffering from non-Hodgkin Lymphoma and that the product has a clinically relevant effect in this patient population. The positive results from Phase I has enabled the company to establish the dose interval for the Phase II part of the clinical trial, which will assess the efficacy of Betalutin™ in patients suffering from relapsed non-Hodgkin Lymphoma.

Nordic Nanovector is planning the financing of the further development of Betalutin™ for treatment of non-Hodgkin Lymphoma. The Company has for this purpose engaged ABG Sundal Collier and DNB Markets to explore the possibility of a pre-IPO financing. The Company is currently in the process of carrying out a sounding process towards a limited number of institutional investors. The outcome of the sounding process is expected during Q2 2014. No decision regarding a financing has been made at the current stage and the Company will update its shareholders if and when appropriate.

Key figures

Amounts in NOK	YTD 31.03.2014	YTD 31.03.2013	Change
Total operating revenue	118 143	111 512	6 631
Net total operating expenses	12 009 708	2 295 263	9 714 445
Operating profit (loss)	-11 891 565	-2 183 751	-9 707 814
Financial items, net	544 209	25 113	519 096
Total comprehensive income (loss) for the period	**-11 347 356**	**-2 158 638**	**-9 188 718**
Basic and diluted earnings (loss) per share	**-1,02**	**-0,34**	**-0,68**
Number of employees	**13**	**8**	**5**
Net change in bank deposits, cash and equivalents	-11 875 557	-3 940 331	-7 935 226
Cash and equivalents at beginning of period	79 569 002	6 669 935	72 899 067
Cash and equivalents at end of period	**67 693 445**	**2 729 604**	**64 963 841**

Operational review

New clinical sites in Europe have been approached to complement open centers in Norway and Sweden in order to ensure a rapid patient recruitment for the Phase II part of the ongoing Phase I/II trial. In Q1-2014 the Company continued the regulatory work with interaction with the U.S. Food And Drug Administration (FDA) and European Medicines Agency (EMA).

During the quarter, Nordic Nanovector received patent protection for Betalutin™ in the two most important geographical markets for radio-immunotherapies, the USA and Europe. The Company will continue to work diligently toward growing the increasing portfolio of patents while developing and commercializing radioimmunotherapy product candidates.

"Nordic Nanovector achieved important milestones in the first quarter of 2014, first with the approval of the patent protecting lead product candidate Betalutin™ in the USA in January, which was then followed by a grant of the same patent in Europe in March" stated CEO Jan A. Alfheim. *"The clinical program has advanced significantly and the Phase I clinical trial has demonstrated that Betalutin™ can be safely administered and is well tolerated by patients suffering from non-Hodgkin Lymphoma and that clinically relevant effects have been observed at all dose levels of Betalutin™."*

Financial review

The financial report as of 31 March 2014 has been prepared in accordance with International Accounting Standard (IFRS) 34 Interim financial reporting.

Income Statement

Revenues for the first quarter 2014 amounted to NOK 118,143 compared to NOK 111,512 in the first quarter of 2013. Revenues relate to incubator services and sublease of office and laboratory. Net operating expenses increased from NOK 2,295,263 in first quarter 2013 to NOK 12,009,708 in first quarter of 2014. This was driven by larger organization and increase in clinical trial cost. Nordic Nanovector's income statement shows a net loss of NOK – 11,347,356 compared with NOK – 2,158,638 in first quarter 2013.

Financial position and cash flow

Property, plant and equipment rose from NOK 335,949 end 2013 to NOK 659,387, reflecting investment in infrastructure at the new premises at Kjelsåsveien 168 B. As of 31 March 2014, liabilities totalled NOK 5,688,938 compared to NOK 7,237,417 at yearend 2013. Net cash flow from operating activities was NOK – 12,020,349 in the first quarter of 2014 compared to NOK – 3,940,331 in the first quarter of 2013. Net cash flow from investing activities was NOK – 390,208 in first quarter 2014 and net cash flow from financing activities was NOK 535,000 due to exercise of share options (employees). Cash and cash equivalents were NOK 67,693,445 at 31 March 2014 compared to NOK 2,729,604 at 31 March 2013.

Shareholders' equity was NOK 67,989,720 at 31 March 2014, an equity ratio of 92%. At the end of 31 December 2013, shareholders' equity was NOK 78,785,292 (92%). The total number of outstanding shares as of 31 March 2014 was 11,154,708. In addition, a further 3,333,333 shares will be issued to HealthCap VI L.P. when the convertible loan is converted and the second tranche is concluded (see note 8). The total number of outstanding share options as of 31 March 2014 was 173,333.

Risk and uncertainty factors for 2014

Nordic Nanovector AS is exposed to uncertainties and risk factors, which may affect some or all of the activities.

- The Company is in a relatively early stage of development and the Company's clinical studies may not prove to be successful
- Obtaining regulatory approvals is required for commercialisation of the Company's products
- The financial success of the Company requires obtaining acceptable price and reimbursement
- The success, competitive position and future revenues will depend in part on the Company's ability to protect intellectual property and know-how
- The Company operates in a highly competitive industry
- The Company relies, and will continue to rely, upon third-parties for clinical trials and manufacturing
- The Company may not be able to enter into partner agreements
- The Company may not be able to fund the clinical trials going forward
- The Company is reliant on key personnel and the ability to attract new, qualified personnel

Outlook

The objectives for the next 12 months:

- Initiate trials at additional Phase II study centers in EU (non-Hodgkin Lymphoma)
- Receive scientific advice from FDA and EMA on clinical programs
- Publish/present Betalutin™ Phase I results in Indolent non-Hodgkin Lymphoma
- Complete enrollment of 30 patients in Phase II Indolent non-Hodgkin Lymphoma study

The Company's goal is to position Betalutin™ as a key product in the treatment of non-Hodgkin Lymphoma in a growing market for patients requiring other therapies than what exists on the market today. There is significant potential for accelerated development and earlier filing of new drug application, provided that Betalutin™ shows significantly superior efficacy and safety in comparison to existing therapies. Going forward the Company will continue to strengthen the organization and improve the infrastructure to meet its objectives.

Oslo, 14 May 2014

The Board of Directors
Nordic Nanovector AS

Statement of profit or loss and other comprehensive income

Amounts in NOK	YTD 31.03.2014	YTD 31.03.2013
Continuing operations		
Revenues	**118 143**	**111 512**
Total operating revenue	**118 143**	**111 512**
Payroll and related expenses	3 078 017	1 256 054
Depreciation	66 769	133 249
Other operating expenses	8 864 922	905 960
Total operating expenses	**12 009 708**	**2 295 263**
Operating profit (loss)	**-11 891 565**	**-2 183 751**
Finance income and finance expenses		
Finance income	544 276	25 306
Finance expenses	67	193
Financial items, net	**544 209**	**25 113**
Loss before income tax	**-11 347 356**	**-2 158 638**
Income tax	0	0
Loss for the period	**-11 347 356**	**-2 158 638**
Other comprehensive income (loss), net of income tax		
Other comprehensive income (loss), net of income tax	0	0
Total comprehensive income (loss) for the period	**-11 347 356**	**-2 158 638**
Loss for the period attributable to owners of the company	-11 347 356	-2 158 638
Total comprehensive income (loss) for the period attributable to owners of the company	-11 347 356	-2 158 638
Earnings (loss) per share		
Basic and diluted earnings (loss) per share	-1,02	-0,34

Statement of financial position

Amounts in NOK	31.03.2014	31.12.2013
ASSETS		
Non-current assets		
Property, plant and equipment	659 387	335 949
Total property, plant and equipment	**659 387**	**335 949**
Receivables		
Other non-current receivables	44 800	44 800
Total non-current receivables	**704 187**	**380 749**
Current assets		
Receivables		
Other receivables	5 281 027	6 072 958
Total receivables	**5 281 027**	**6 072 958**
Cash and cash equivalents	67 693 445	79 569 002
Total current assets	**72 974 471**	**85 641 960**
TOTAL ASSETS	**73 678 658**	**86 022 709**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	2 230 942	2 214 942
Share premium	92 471 684	91 952 684
Other reserves	25 406 621	25 389 837
Retained earnings (accumulated losses)	-52 119 527	-40 772 171
Total shareholders' equity	**67 989 720**	**78 785 292**
Liabilities		
Current liabilities		
Accounts payable	845 829	4 499 213
Other current liabilities	4 843 109	2 738 204
Total current liabilities	**5 688 938**	**7 237 417**
Total liabilities	**5 688 938**	**7 237 417**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**73 678 658**	**86 022 709**

Condensed statement of changes in equity

For the period ended 31 March						
(Amounts in NOK)	**Share capital**	**Share premium**	**Convertible instruments**	**Equity-settled share-based payments**	**Accumulated losses**	**Total equity**
Balance at 1 January 2013	**1 277 268**	**30 058 814**	0	**698 283**	**-24 353 234**	**7 681 131**
Loss for the period					-2 158 638	-2 158 638
Other comprehensive income (loss) for the period net of income tax					0	0
Total comprehensive income for the period					**-2 158 638**	**-2 158 638**
Convertible instruments			0			0
Recognition of share-based payments				32 761		32 761
Issue of ordinary shares	0	0				0
Issue of ordinary shares under share options	0	0				0
Conversion of convertible loan			0			0
Share issue costs		0				0
Balance at 31 March 2013	**1 277 268**	**30 058 814**	0	**731 044**	**-26 511 872**	**5 555 254**
Balance at 1 January 2014	**2 214 942**	**91 952 684**	**24 591 975**	**797 862**	**-40 772 171**	**78 785 292**
Loss for the period					-11 347 356	-11 347 356
Other comprehensive income (loss) for the period net of income tax					0	0
Total comprehensive income for the period					**-11 347 356**	**-11 347 356**
Convertible instruments			0			0
Recognition of share-based payments				16 784		16 784
Issue of ordinary shares	0	0				0
Issue of ordinary shares under share options	16 000	519 000				535 000
Conversion of convertible loan			0			0
Share issue costs		0				0
Balance at 31 March 2014	**2 230 942**	**92 471 684**	**24 591 975**	**814 646**	**-52 119 527**	**67 989 720**

Condensed statement of cash flows

Amounts in NOK	YTD 31.03.2014	YTD 31.03.2013
Cash flows from operating activities		
Loss for the period	**-11 347 356**	**-2 158 638**
Adjustments for:		
Interest paid	0	0
Interest received	0	0
Share option expense	16 784	32 761
Depreciation	66 769	133 249
Change in trade receivables	-20 055	-30 096
Change in trade payables	-3 653 883	-1 666 857
Changes in receivables related to grants	1 124 400	-459 835
Changes in other current assets	-312 413	373 204
Changes in other current liabilities	2 105 405	-164 119
Net cash flow from operating activities	**-12 020 349**	**-3 940 331**
Cash flows from investing activities		
Outflows from acquisition of fixed assets	-390 208	0
Net cash flows from investing activities	**-390 208**	**0**
Cash flows from financing activities		
Proceeds from new debt	0	0
Proceeds from equity issue	535 000	0
Net cash flows from financing activities	**535 000**	**0**
Net change in bank deposits, cash and equivalents	-11 875 557	-3 940 331
Cash and equivalents at beginning of period	79 569 002	6 669 935
Cash and equivalents at end of period	**67 693 445**	**2 729 604**

Nordic Nanovector AS – Notes to the condensed interim financial statements for the three months ended 31 March 2014

Note 1. General information

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

The company is developing innovative anticancer therapeutics based on a tumor targeted antibody based nanovector. The lead product candidate, Betalutin™, is a radionuclide conjugated to a tumor seeking carrier/antibody, which can be used for irradiation of malignant metastasized tumors with minimal damage to nearby healthy normal tissue. This technology aims to prolong and improve the quality of life of people who suffer from hematologic cancer. Betalutin™ is currently undergoing a Phase I/II dose-escalating clinical trial for treatment of relapsed non-Hodgkin Lymphoma.

The figures in this first quarter report 2014 are non-audited figures.

These financial statements have been approved for issue by the Board of Directors on 14 May 2014.

Note 2. Basis for preparation and significant accounting policies

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

Basis of preparation

The financial statements of Nordic Nanovector AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Norwegian disclose requirements listed in the Norwegian Accounting Act. 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 Company's accounting policies. Areas involving a high degree of judgment or complexity, and areas in which assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Company works continuously to ensure financial flexibility in the short and long term to achieve its strategic and operational objectives. Capital markets are used as a source of liquidity when this is appropriate and when conditions in these markets are acceptable. The Board plans to conduct an IPO and a concurrent emission within the next 12 months, if market conditions are acceptable. The Board of Directors has a reasonable expectation that the Company will maintain adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its condensed interim financial statements.

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.

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

Government grants

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

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

Research and development

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

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

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

Property, plant and equipment

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

- Office equipment: 2 years
- Laboratory equipment: 3 years
- Permanent building fixtures: 2 years (5 years from 2014)
- Furniture and fittings: 3 years

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

Impairment of non-financial assets

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

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

Financial assets

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

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

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

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities and equity instruments

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

Equity instruments

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

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

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

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

Financial liabilities

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

Share-based payments

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

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

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

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

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

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

Current and deferred tax

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

Deferred taxes are recognized based on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for taxable temporary differences and deferred tax assets arising from deductible temporary differences are recognized to the extent that it is probable that taxable profits will be

available against which deductible temporary differences can be utilized. Currently, no deferred tax asset has been recognized in the financial statements of the Company.

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

Earnings per share

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

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 ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered to be relevant.

Deferred tax

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

Intangible assets

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

Share-based payments

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Changes to the estimates may significantly influence the expense recognized during a period.

Note 4. Government grants

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

Amounts in NOK	YTD Q1 2014	Q1 2013
Payroll and related expenses	437 563	844 096
Other operating expenses	655 103	225 268

The Company has been awarded a grant from The Research Council (program for user-managed innovation arena (BIA)) of NOK 10,500,000 in total for the period 2012 through 2015. For the financial period ended 31 March 2014, the Company has recognized NOK 500,000 (Q1 2013: NOK 646,862) classified partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.

The Research Council has awarded a grant supporting a PhD for the period 2011 through August 2014 of NOK 1,940,000 in total. For the financial period ended Q1 2014, the Company has recognized NOK 92,802 (Q1 2013: NOK 147,501) partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.

R&D projects have been approved for SkatteFUNN for the period 2012 through 2015. For the financial period ended Q1 2014, the Company has recognized NOK 499,863 compared with NOK 275,001 in Q1 2013. The amount was recognized partly as a reduction of payroll and related expenses and partly as a reduction of other operating expenses.

Note 5. Share-based payments

The Company has a share option scheme for all employees of the Company. Each share option converts into one ordinary share of the Company on exercise. Options may be exercised at any time from the date of vesting until expiry. The options are equity-settled.

The following share-based payment arrangements were in existence during the current and prior periods:

	Number of options	Grant date	Expiry date	Exercise price	Fair value at grant date
Granted on 5 July 2011	150 000	5 Jul 2011	5 Jul 2014	6.25	2.61
Granted on 2 February 2012	90 000	2 Feb 2012	2 Feb 2016	6.75	3.14
Granted on 12 April 2012	40 000	12 Apr 2012	12 Apr 2016	6.75	3.14
Granted on 17 April 2012	15 000	17 Apr 2012	17 Apr 2015	6.75	2.77
Granted on 11 October 2012	50 000	11 Oct 2012	11 Oct 2016	6.75	3.15

The options vest in three steps, at milestones that are significant to the responsibilities of the employee. Generally 1/3 vests immediately, whilst milestone 2 and 3 are dependent on the achievement of certain activities.

No share options were granted during 2013 or the three first months of 2014. During the first three months of 2014, 80,000 options were exercised.

	Three months ended 31 March 2014		Twelve months ended 31 December 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at 1 January	253 333	6.52	325 000	6.52
Granted during the period	0	0	0	0
Exercised during the period	-80 000	6.69	-71 667	6.47
Balance	**173 333**	**6.46**	**253 333**	**6.53**

Note 6. Share capital and shareholder information

Share capital as at 31 March 2014 is NOK 2,230,942 (31 December 2013: 2,214,942), being 11,154,708 ordinary shares at a nominal value of NOK 0.20 each (31 December 2013: 11,074,708 shares at NOK 0.20 each). All shares carry equal voting rights.

The movement in the number of shares during the period was as follows:	2014	2013
Ordinary shares at 1 January	11 074 708	6 386 340
Issue of ordinary shares	0	0
Issue of ordinary shares under share options	80 000	0
Issue of ordinary shares from conversion of loan	0	0
Ordinary shares at 31 March	**11 154 708**	**6 386 340**

Note 7. Shareholder information

Nordic Nanovector AS had 263 shareholders as at 31 March 2014:

Shareholder	Number of shares	Percentage share of total shares
Inven2 AS**	1 427 213	12,79 %
Sciencons Ltd. (Roy Hartvig Larsen)	1 122 000	10,06 %
Linux Solutions Norge AS	677 106	6,07 %
Radiumhospitalets Forskningsstiftelse	675 447	6,06 %
Roy Hartvig Larsen	579 949	5,20 %
Must Invest AS	330 000	2,96 %
Varak AS	307 487	2,76 %
Birk Venture AS	179 586	1,61 %
Spar Kapital Investor AS	179 000	1,60 %
OM Holding AS	160 000	1,43 %
Stenshagen Invest AS	150 000	1,34 %
Holberg Norge	139 200	1,25 %
Pedro Consulting AS*	130 000	1,17 %
Syntax AS	120 000	1,08 %
Trond Larsen	118 509	1,06 %
Track AS	106 667	0,96 %
BlaBla AS	103 334	0,93 %
RO Invest AS	100 000	0,90 %
Lucellum AS	98 764	0,89 %
Thomas M. Andersen	98 627	0,88 %
Remaining 243 shareholders	4 351 819	39,01 %
Total	**11 154 708**	**100,00 %**

* Pedro Consulting AS controls Diatec, a company that supplies antibodies to Nordic Nanovector.
** Co-founder Jostein Dahle is the beneficial owner of and has the right to acquire 243 003 shares from Inven2 AS at an average price of approx. NOK 2 per share, while inventor Øyvind Bruland is the beneficial owner of and has the right to acquire 121 501 shares from Inven2 at the same price.

An Extraordinary General Meeting held on 27 September 2013 approved a rights issue of NOK 50 million to HealthCap VI L.P. The investment is made in two tranches, each of NOK 25 million. The first tranche was issued in October 2013 as an interest-free loan that is convertible into 1,666,667 ordinary shares in the Company at a price per share of NOK 15. The conversion will occur before the end of May 2014. The second tranche of 1,666,667 shares will be issued and fully paid before or on 15 October 2014. The issue price per share is NOK 15 also for the second tranche.

The convertible instrument issued in October 2013 is considered an equity instrument as the agreement is based on a fixed number of shares being converted at a fixed price per share. Additionally, conversion is mandatory unless the Company is in significant breach of representations and warranties set out in the subscription agreement between the parties. HealthCap is obliged to convert before the Annual General Meeting to be held in May 2014.

HealthCap VI L.P.'s Conversion of loan within May 2014	1 666 667
HealthCap VI L.P.'s subscription of shares within 15 October 2014	1 666 666
Total shares which are not registered per 31 March 2014	**3 333 333**

Note 8. Transactions with related parties

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

	Sales (included in revenue)		Purchases (included in other operating expenses)	
Amounts in NOK	**Q1 2014**	**Q1 2013**	**Q1 2014**	**Q1 2013**
Companies controlled by the Chairman of the Board	105 692	33 010	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:

	Three months ended 31 March	
Amounts in NOK	**2014**	**2013**
Loss for the period attributable to owners of the Company	-11 347 356	-2 158 638
Average number of outstanding shares during the period	11 104 041	6 386 340
Earnings (loss) per share - basic and fully diluted	-1,02	-0,34

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

Note 10. Events after the reporting date

Nordic Nanovector AS received 13 May 2014 a conversion notice from HealthCap VI L.P. with respect to the convertible loan in the amount of NOK 25,000,005 made available to Nordic Nanovector AS pursuant to the subscription agreement entered into on 26 September 2013 and the resolution made by the General Meeting on the same date. The conversion price for the convertible loan was NOK 15, and Nordic Nanovector AS will accordingly issue 1,666,667 new shares to HealthCap VI L.P. HealthCap VI L.P. shall pursuant to the subscription agreement also make an investment in Nordic Nanovector AS of NOK 25,000,000 by subscribing for new shares at a price of NOK 15 no later than 30 September 2014.

Nordic Nanovector is planning the financing of the further development of Betalutin™ for treatment of non-Hodgkin Lymphoma. The Company has for this purpose engaged ABG Sundal Collier and DNB Markets to explore the possibility of a pre-IPO financing. The Company is currently in the process of carrying out a sounding process towards a limited number of institutional investors. The outcome of the sounding process is expected during Q2 2014. No decision regarding a financing has been made at the current stage and the Company will update its shareholders if and when appropriate.

Note 11. Transition to IFRS

These financial statements has been prepared in accordance with IFRS. The accounting principles described in note 2 have been utilized in the preparation of the Company's financial statements for the period ended 31 March 2014 and for the comparative figures for the period ended 31 March 2013. The Company has prepared financial statements for the year ended 31 December 2013 which will be available from the Company on request. These financial statements include information of the IFRS opening statement of financial position as at 1 January 2012, which is the date of transition to IFRS from Norwegian generally accepted accounting principles for small companies (NGAAP). The tables below show the implementation effects for the year ended 31 December 2013 and for the period ended 31 March 2013.

Reconciliation of Statement of financial position:

	31 December 2013			
	NGAAP	Reclassification	Implementation effects	IFRS
Assets				
Property, plant and equipment	335 949			335 949
Other long-term receivables	0		44 800	44 800
Other short-term receivables	6 117 758		-44 800	6 072 958
Cash and cash equivalents	79 569 002			79 569 002
Total assets	**86 022 708**	**0**	**0**	**86 022 708**
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital	2 214 942			2 214 942
Share premium reserve	91 952 684			91 952 684
Other reserves	0		25 389 837	25 389 837
Retained earnings (accumulated losses)	-39 813 041		-959 131	-40 772 172
Total shareholders' equity	**54 354 585**	**0**	**24 430 706**	**78 785 291**
Liabilities				
Accounts payable	4 499 213			4 499 213
Unpaid duties and charges	576 474	-576 474		0
Short term borrowings	24 591 975		-24 591 975	0
Other current liabilities	2 000 462	576 474	161 269	2 738 204
Total liabilities	**31 668 123**	**0**	**-24 430 706**	**7 237 417**
Total shareholders' equity and liabilities	**86 022 708**	**0**	**0**	**86 022 708**

Reclassification

Reclassifications are management determined and do not entail differences in accounting principles between NGAAP and IFRS. The reclassification of NOK 576,474 at 31 March 2013 from unpaid duties and charges to other current liabilities is based on a decision to present current liabilities that are not classified as trade paybles as one line item.

Implementation effects

NOK 44,800 classified as current assets under NGAAP in 2013 related to amounts falling due in more than one year from the reporting date. This amount has been classified as non-current under IFRS.

Share-based payments were not recognized under previous GAAP (small companies exemption under NGAAP). Under IFRS, NOK 797,862 is the effect of the difference to IFRS 2 Share-based payments at 31 December 2013. This represents the cost recognized as at the reporting date, and the total equity effect is nil (corresponding effect on retained earnings (accumulated losses). The related social security tax recognized as a liability is NOK 161,269 and impacts retained earnings.

A convertible loan with a balance of NOK 24,591,975, which under NGAAP has been classified as a liability is classified as equity under IFRS. The arrangement is on a fixed for fixed basis with no alternative to conversion.

Reconciliation of Statement of profit or loss and other comprehensive income:

	Three months ended 31 March 2013			
	NGAAP	Reclassification	Implementation effects	IFRS
Continuing operations				
Revenue	111 512			111 512
Total operating revenue	**111 512**	**0**	**0**	**111 512**
Cost of goods sold	13 972	-13 972		0
Payroll and related expenses	1 184 033		72 021	1 256 054
Depreciation	133 249			133 249
Other operating expenses	903 939	13 972	-11 951	905 960
Total operating expenses	**2 235 194**	**0**	**60 068**	**2 295 263**
Operating profit (loss)	**-2 123 682**	**0**	**-60 068**	**-2 183 751**
Financial income and financial expenses				
Finance income	37 321		-12 015	25 306
Finance expense	257		-64	194
Financial items, net	**37 064**	**0**	**-11 951**	**25 112**
Loss before income tax	**-2 086 618**	**0**	**-72 021**	**-2 158 638**
Income tax	0			0
Loss for the period	**-2 086 618**	**0**	**-72 021**	**-2 158 638**
Other comprehensive income (loss), net of income tax				
Other comprehensive income, net of income tax	0			0
Total comprehensive income (loss) for the period	**-2 086 618**	**0**	**-72 021**	**-2 158 638**

Reclassification

Reclassifications are management determined and do not entail differences in accounting principles between NGAAP and IFRS. The NOK 13,972 classified as cost of goods sold under NGAAP is reclassified to other operating expenses in the IFRS financial statements as the amount does not warrant separate presentation due to materiality.

Implementation effects

Share-based payments were recognised as a payroll and related expense at NOK 32,761 in the first quarter of 2013. The corresponding amount was recognised as a reserve in equity. A social security expense of NOK 39,260 related to share options was recognised and presented as payroll and related expense.

Foreign exchange gains or losses were presented as finance income/expense under NGAAP. As these effects solely relate to operating items, the net foreign exchange gain has been reclassified to other operating expenses under IFRS.

Impact on cash flows

The Company did not present a statement of cash flows under previous GAAP. The transition to IFRS has had no effect on items presented as cash and cash equivalents in the statement of financial position.

Information

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