Third 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. The Company's mission is to develop innovative radioimmunotherapeutics that target difficult to treat cancers using the Company's proprietary nanovector targeting technology. 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. Betalutin™ aims to prolong and improve the quality of life of people who suffer from non-Hodgkin Lymphoma (NHL). The product candidate is currently in phase I/II in clinical trial.

Highlights for third quarter 2014

- **Mr. Luigi Costa appointed new CEO in Nordic Nanovector**

  "We are about to enter a new and more international phase in the development of Nordic Nanovector. The Board is therefore pleased that Mr. Luigi Costa has accepted to take over the helm as CEO and take the Company to its new phase," says Chairman Roy H. Larsen on behalf of the Board. *"We see this as yet another professional acknowledgement of the Company and Betalutin's future potential."*

- **Oversubscribed subsequent offering**

  The subsequent repair offering of up to 2,000,000 new shares at a subscription price of NOK 25 per share, was oversubscribed by approximately 35%. A total of 2,000,000 new shares have been allocated. Gross proceeds from the offering was NOK 50 million (USD 7.8 million). The new shares have only been allocated to eligible shareholders (as defined in the prospectus dated 28 August 2014).

Key figures

Amounts in NOK	Three months ended 30 September			Nine months ended 30 September		
	2014	2013	Change	2014	2013	Change
Total operating revenue	76 807	69 091	7 716	313 411	236 970	76 441
Net total operating expenses	11 941 724	3 672 582	8 269 142	39 784 588	9 169 013	30 615 575
Operating profit (loss)	-11 864 917	-3 603 491	-8 261 426	-39 471 177	-8 932 044	-30 539 133
Financial items, net	1 578 370	351 949	1 226 421	2 618 611	447 206	2 171 405
Total comprehensive income (loss) for the period	**-10 286 547**	**-3 251 541**	**-7 035 006**	**-36 852 566**	**-8 484 838**	**-28 367 728**
Basic and diluted earnings (loss) per share	**-0,44**	**-0,26**	**-0,18**	**-2,70**	**-1,05**	**-1,65**
Number of employees	**16**	**8**	**8**	**16**	**8**	**8**
Net change in bank deposits, cash and equivalents	277 874 821	-727 772	278 602 593	249 952 590	54 682 561	195 270 029
Cash and equivalents at beginning of period	51 646 771	62 080 268	-10 433 497	79 569 002	6 669 935	72 899 067
Cash and equivalents at end of period	**329 521 592**	**61 352 496**	**268 169 096**	**329 521 592**	**61 352 496**	**268 169 096**

Operational review

During the nine months ended September 2014, Nordic Nanovector has built a solid capital base by closing a successful private placement and a subsequent repair issue with total gross proceeds amounting to NOK 300,000,000. The lead product candidate Betalutin™ is in phase I/II clinical trial, recruitment of patients with relapsed NHL is on-going. Patents have been granted in the US and in Europe, which cover Nordic Nanovector's proprietary radioimmunotherapy technology including the Company's lead product candidate Betalutin™. Orphan-drug designation has been achieved both in US and in Europe. The Company has continued to strengthen the organization by hiring 7 new employees during the year. Mr. Luigi Costa was appointed new CEO in Nordic Nanovector, 1 September 2014.

Financial review

The financial report as of 30 September 2014 has been prepared in accordance with the International Accounting Standard (IFRS) 34 interim financial reporting.

Income statement

Revenues for the third quarter and nine months ended September 2014 amounted respectively to NOK 76,807 (2013: NOK 69,091) and NOK 313,411 (2013: NOK 236,970). Revenues relate to incubator services and sublease of office and laboratory.

Net operating expenses increased from NOK 3,672,582 in the third quarter 2013 to NOK 11,941,724 in the third quarter of 2014. Net operating expenses for the nine months ended September 2014 amounted to NOK 39,784,588 compared to NOK 9,169,013 for the nine months ended September 2013. The cost increase was driven by a larger organization and increase in clinical trial cost. Number of employees doubled from 8 employees end of September 2013 to 16 employees end of September 2014. Nordic Nanovector's income statement shows a net loss of NOK – 10,286,547 in the third quarter of 2014 (2013: NOK - 3,251,541) and a net loss of NOK – 36,852,566 for the nine months ended September 2014 (2013: NOK – 8,484,838).

Financial position and cash flow

Property, plant and equipment increased from NOK 622,040 end of June 2014 to NOK 906,477 end of September 2014, reflecting investment in infrastructure and IT hardware and depreciation of NOK 93,723. As of 30 September 2014, liabilities totaled NOK 7,215,335 compared to NOK 6,986,448 at end June 2014. Net cash flow from operating activities was NOK – 36,630,126 for the nine months ended September 2014 compared to NOK – 7,711,025 for the nine months ended September 2013. Net cash flow from investing activities was NOK – 805,077 for the nine months ended September 2014 (2013: NOK -29,933).

Net cash flow from financing activities was NOK 287,387,793 for the nine months ended September 2014 mainly due to a successful closing of a private placement with gross proceeds of NOK 250,000,000 in June, and a subsequent repair issue of gross proceeds of NOK 50,000,000 in September (2013: NOK 62,423,519).

Cash and cash equivalents were NOK 329,521,592 at 30 September 2014 compared to NOK 61,352,496 at 30 September 2013.

Shareholders' equity was NOK 330,129,680 at 30 September 2014, with an equity ratio of 98 %. At the end of 30 June 2014, shareholders' equity was NOK 52,210,215 (88 %). The total number of outstanding shares as of 30 September 2014 was 24,821,375. In addition, a further 1,666,666 shares will be issued to HealthCap VI L.P. when the second tranche is concluded in October 2014. The total number of outstanding share options as of 30 September 2014 was 1,085,239.

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 an early stage of development and the Company's clinical studies may not prove to be successful.
- 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 is reliant on key personnel and the ability to recruit, qualified personnel.

Outlook

The Company is preparing for entering a new exciting phase where it will:

- Refine the mapping of Betalutin™'s landscape and competitive space
- Refine and advance the Clinical Development Plan in line with the Company's strategy
- Continue to build a strong and efficient organization
- Reinforce relations to strong international stakeholders (Key Opinion Leaders , payors, institutions, investors)
- Preparations to be ready for an Initial Public Offering

Oslo, 22 October 2014

The Board of Directors
Nordic Nanovector AS

Interim statement of profit or loss and other comprehensive income

Amounts in NOK	For the three months ended 30 September		For the nine months ended 30 September		For the full year ended
	2014	2013	2014	2013	2013
Continuing operations					
Revenues	76 807	69 091	313 411	236 970	306 061
Total operating revenue	**76 807**	**69 091**	**313 411**	**236 970**	**306 061**
Payroll and related expenses	4 002 222	1 571 865	9 926 027	3 805 395	5 247 252
Depreciation	93 723	27 065	234 577	200 356	236 788
Other operating expenses	7 845 777	2 073 652	29 623 984	5 163 262	12 933 131
Total operating expenses	**11 941 724**	**3 672 582**	**39 784 588**	**9 169 013**	**18 417 171**
Operating profit (loss)	**-11 864 917**	**-3 603 491**	**-39 471 177**	**-8 932 044**	**-18 111 110**
Finance income and finance expenses					
Finance income	1 676 450	458 250	2 716 825	553 700	1 206 884
Finance expenses	98 080	106 301	98 214	106 494	106 711
Financial items, net	**1 578 370**	**351 949**	**2 618 611**	**447 206**	**1 100 173**
Loss before income tax	**-10 286 547**	**-3 251 541**	**-36 852 566**	**-8 484 838**	**-17 010 937**
Income tax	0	0	0	0	0
Loss for the period	**- 10 286 547**	**-3 251 541**	**-36 852 566**	**-8 484 838**	**-17 010 937**
Other comprehensive income (loss), net of income tax					
Other comprehensive income (loss), net of income tax	0	0		0	0
Total comprehensive income (loss) for the period	**- 10 286 547**	**-3 251 541**	**-36 852 566**	**-8 484 838**	**-17 010 937**
Loss for the period attributable to owners of the company	- 10 286 547	-3 251 541	-36 852 566	-8 484 838	-17 010 937
Total comprehensive income (loss) for the period attributable to owners of the company	- 10 286 547	-3 251 541	-36 852 566	-8 484 838	-17 010 937
Earnings (loss) per share					
Basic and diluted earnings (loss) per share	-0,44	-0,26	-2,70	-1,05	-1,92

Interim statement of financial position

Amounts in NOK	30.09.2014	30.06.2014	31.12.2013
ASSETS			
Non-current assets			
Property, plant and equipment	906 447	622 040	335 949
Total property, plant and equipment	**906 447**	**622 040**	**335 949**
Receivables			
Other non-current receivables	142 011	44 800	44 800
Total non-current receivables	**1 048 458**	**666 840**	**380 749**
Current assets			
Receivables			
Other receivables	6 774 965	6 883 052	6 072 958
Total receivables	**6 774 965**	**6 883 052**	**6 072 958**
Cash and cash equivalents	329 521 592	51 646 771	79 569 002
Total current assets	**336 296 557**	**58 529 823**	**85 641 960**
TOTAL ASSETS	**337 345 015**	**59 196 663**	**86 022 709**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	4 964 275	2 564 275	2 214 942
Share premium	402 183 144	116 152 479	92 544 684
Other reserves	1 198 998	831 651	25 389 837
Retained earnings (accumulated losses)	-78 216 737	-67 338 190	-41 364 171
Total shareholders' equity	**330 129 680**	**52 210 215**	**78 785 292**
Liabilities			
Current liabilities			
Accounts payable	3 576 038	2 730 487	4 499 213
Other current liabilities	3 639 297	4 255 961	2 738 204
Total current liabilities	**7 215 335**	**6 986 448**	**7 237 417**
Total liabilities	**7 181 585**	**6 986 448**	**7 237 417**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**337 345 015**	**59 196 663**	**86 022 709**

Interim condensed statement of changes in equity

For the period ended 30 September						
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					-8 484 838	-8 484 838
Other comprehensive income (loss) for the period net of income tax					0	0
Total comprehensive income for the period					**-8 484 838**	**-8 484 838**
Convertible instruments			0			0
Recognition of share-based payments		148 000		82 551		230 551
Issue of ordinary shares	863 115	59 989 669				60 852 784
Issue of ordinary shares under share options	14 333	459 417				473 750
Conversion of convertible loan	60 225	4 046 076	0			4 106 301
Share issue costs		-2 601 291	-408 025			-3 009 316
Balance at 30 September 2013	**2 214 942**	**92 100 685**	**-408 025**	**780 834**	**-32 838 072**	**61 850 363**
Balance at 1 January 2014	**2 214 942**	**92 544 684**	**24 591 975**	**797 862**	**-41 364 171**	**78 785 292**
Loss for the period					-36 852 566	-36 852 566
Other comprehensive income (loss) for the period net of income tax					0	0
Total comprehensive income for the period					**-36 852 566**	**-36 852 566**
Convertible instruments			0			
Recognition of share-based payments				401 136		401 136
Issue of ordinary shares	2 400 000	297 600 000				300 000 000
Issue of ordinary shares under share options	16 000	519 000				535 000
Conversion of convertible loan	333 333	24 666 667	-25 000 000			0
Share issue costs		-13 147 207	408 025			-12 739 182
Balance at 30 September 2014	**4 964 275**	**402 183 144**	**0**	**1 198 998**	**-78 216 737**	**330 129 680**

Interim condensed statement of cash flows

	For the nine months ended September 30		Full year
Amounts in NOK	**2014**	**2013**	**2013**
Cash flows from operating activities			
Loss for the period	**-36 852 566**	**-8 484 838**	**-17 010 937**
Adjustments for:			
Interest paid	0	0	-106 301
Interest received	565 958	0	1 130 824
Share option expense employees	401 136	82 551	99 579
Share option expense Board	0	148 000	592 000
Depreciation	234 577	200 356	236 788
Change in trade receivables	-31 048	60 181	37 056
Change in trade payables	-923 175	-44 959	2 413 855
Changes in receivables related to grants	558 666	357 290	-1 162 204
Changes in other current assets	-1 388 932	-102 178	-2 094 180
Changes in other current liabilities	743 162	72 572	1 635 344
Net cash flow from operating activities	**-36 630 126**	**-7 711 025**	**-14 228 176**
Cash flows from investing activities			
Outflows from acquisition of fixed assets	-805 077	-29 933	-296 277
Net cash flows from investing activities	**-805 077**	**-29 933**	**-296 277**
Cash flows from financing activities			
Proceeds from new debt	0	0	0
Proceeds from equity issue	287 387 793	62 423 519	87 423 519
Net cash flows from financing activities	**287 387 793**	**62 423 519**	**87 423 519**
Net change in bank deposits, cash and equivalents	249 952 590	54 682 561	72 899 066
Cash and equivalents at beginning of period	79 569 002	6 669 935	6 669 935
Cash and equivalents at end of period	**329 521 592**	**61 352 496**	**79 569 001**

Nordic Nanovector AS – Notes to the condensed interim financial statements for the nine months ended 30 September 2014

Note 1. General information

Nordic Nanovector AS ("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 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 third quarter report 2014 report are non-audited figures.

These financial statements have been approved for issue by the Board of Directors on 22 October 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.

With the pre-IPO private placement of NOK 250 million closed in June and the following repair issue in September of NOK 50 million, the Company will under current planning assumptions have adequate liquidity and equity significantly longer than 12 months from the date of this report. 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 there is no revenue from sales of products yet. Revenue arises from services related to incubator services, rent out of employees and income from sublease of laboratory space, instruments and services shared with other companies.

Government grants

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: 5 years (2 years before 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 unfavorable 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 Company 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:

	For the three months ended 30 September		For the nine months ended 30 September	
	2014	**2013**	**2014**	**2013**
Payroll and related expenses	158 490	801 096	1 013 505	2 056 088
Other operating expenses	894 964	763 130	2 273 495	1 975 978

1) 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.

2) The Research Council has awarded a grant supporting a PhD for the period 2011 through 2014 of NOK 1,940,000 in total.

3) R&D projects have been approved for SkatteFUNN for the period 2012 through 2015.

4) In Q2 2014, the Company received NOK 60,000 in grant from The Research Council for filing a Eurostars application for a potential new R&D project.

Note 5. Share-based payments

The Company has granted share options under two different option programs. The first option program was established in 2011 (the "First Option Program"), and options under that program were granted in 2011 and 2012. The second option program was established in 2014 (the "Second Option Program").

Each option gives the holder a conditional right to acquire one share in the Company. The exercise price is equal to the market price of the shares at the date of the grant. The Company may settle options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

2014	**Average weighted exercise price**	**Number of options**
At 1 January	6,53	253,333
Granted	25	911,906
Exercised	6,69	-80,000
Expired	0	0
As of 30 September	**22,04**	**1,085,239**

Out of the 1,085,239 outstanding options, 60,000 options were exercisable as of 30 September 2014.

First Option Program

Options have been granted under the First Option Program as follows:

Grant date	Number of options	Expiry date	Exercise price (NOK)
5 Jul 2011	150 000	15 Jan 2015	6.25
2 Feb 2012	90 000	2 Feb 2016	6.75
12 Apr 2012	40 000	12 Apr 2016	6.75
17 Apr 2012	15 000	17 Apr 2015	6.75
11 Oct 2012	50 000	11 Oct 2016	6.75
Total	**345 000**		

As of 30 September 2014, there were 173,333 options outstanding under the First Option Program.

In general, 1/3 of the options granted under the First Option Program 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 the First Option 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 following members of the Group management participate in the First Option Program:

Option holder	Number of options outstanding as of 30 September 2014	Grant date	Expiry	Exercise price (NOK)
Jostein Dahle (CSO)	20 000	5 Jul 2011	15 Jan 2015	6.25
Anniken Hagen (Head of QA & RA)	13 333	12 Apr 2012	12 Apr 2016	6.75
Tone Kvåle (CFO)	30 000	11 Oct 2012	11 Oct 2016	6.75
Bjørg Bolstad (CCO)	60 000	5 Jul 2011	15 Jan 2015	6.75
Total	**123 333**			

Second Option Program

Options have been granted under the Second Option Program as follows:

Grant date	Number of options	Expiry date	Exercise price (NOK)
9 Jul 2014	43 800	9 Jul 2021	25
1 Sep 2014	868 106	1 Sep 2021	25
Total	**911 906**		

As of 30 September 2014, there were 911,906 options outstanding under the Second Option Program.

The options vest in accordance with the following 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.

The options may be exercised when having vested provided that a liquidity event has occurred. For the purpose of the option program, a liquidity event means a listing of the Shares of the Company on Oslo Stock Exchange or another regulated market, or a sale of the Company. The options expire seven years from grant date.

Grant date	Number of options	Vesting of first 25%	Expiry date	Exercise price (NOK)
9 Jul 2014	4 200	1 Dec 2014	9 July 2021	25
9 Jul 2014	3 600	1 Jan 2015	9 July 2021	25
9 Jul 2014	4 800	15 Jan 2015	9 July 2021	25
9 Jul 2014	4 800	15 Jan 2015	9 July 2021	25
9 Jul 2014	3 600	1 Mar 2015	9 July 2021	25
9 Jul 2014	6 000	1 Jul 2015	9 July 2021	25
9 Jul 2014	4 800	1 Sep 2015	9 July 2021	25
1 Sep 2014	868 106	1 Sep 2015	1 Sep 2021	25
9 Jul 2014	12 000	1 Oct 2015	9 July 2021	25
Total	**911 906**			

The following members of the Group management participate in the Second Option Program:

Option holder	Number of options outstanding as of 30 September 2014	Grant date	Expiry	Exercise price (NOK)
Luigi Costa (CEO)	868 106	1 Sep 2014	1 Sep 2021	25
Total	**868 106**			

Note 6. Share capital and shareholder information

Share capital as at 30 September 2014 is NOK 4,964,275 (31 December 2013: 2,214,942), being 24,821,375 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	12 000 000	4 315 576
Issue of ordinary shares under share options	80 000	71 664
Issue of ordinary shares from conversion of loan	1 666 667	301 128
Ordinary shares at 30 September	**24 821 375**	**11 074 708**

Note 7. Shareholder information

Nordic Nanovector AS has 413 shareholders as at 30 September 2014:

Shareholder	Number of shares	Percentage share of total shares
HealthCap VI L.P.	3 466 667	13,97%
Inven2 AS	1 216 855	4,90%
Sciencons Ltd. (Roy Hartvig Larsen)	1 162 000	4,68%
Arctic Funds PLC	960 000	3,87%
Radiumhospitalets Forskningsstiftelse	945 625	3,81%
Linux Solutions Norge AS	832 306	3,35%
Storebrand Vekst	800 000	3,22%
Roy Hartvig Larsen	599 949	2,42%
Portia AS	500 000	2,01%
Verdipapirfondet Storebrand Optima	482 000	1,94%
Must Invest AS	469 142	1,89%
Holberg Norge	333 769	1,34%
OM Holding AS	310 000	1,25%
J.P. Morgan Chase Bank (nominee)	300 000	1,21%
Storebrand Norge	300 000	1,21%
Canica AS	300 000	1,21%
Mininaste AS	300 000	1,21%
Varak AS	299 546	1,21%
Birk Venture AS	282 527	1,14%
Jostein Dahle	268 358	1,08%
Remaining 393 shareholders	10 692 631	43,08%
Total	**24 821 375**	**100,00 %**

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. HealthCap VI L.P. converted the loan into shares 13 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.

Exercise of employee share options	5 000
HealthCap VI L.P.'s subscription of shares within 15 October 2014	1 666 666
Total shares which are not registered per 30 September 2014	**1 671 666**

The shares of Nordic Nanovector are registered in the Norwegian OTC system (NOTC) under the symbol NANO.

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)	
	Nine months ended 30 September		Nine months ended 30 September	
Amounts in NOK	**2014**	**2013**	**2014**	**2013**
Companies controlled by the Chairman of the Board	266 336	141 788	322 608	0

Nordic Nanovector bought consulting services of NOK 322,608 from the chairman of the Board and shareholder Roy H. Larsen through his 100% owned company Sciencons AS in Q2 2014.

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:

Amounts in NOK	Nine months ended 30 September	
	2014	**2013**
Loss for the period attributable to owners of the Company	-36 852 566	-8 484 838
Average number of outstanding shares during the period	13 671 251	8 080 798
Earnings (loss) per share - basic and fully diluted	**-2,70**	**-1,05**

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

HealthCap VI L.P has pursuant to the subscription agreement entered into on 26 September 2013 between Nordic Nanovector AS (the "Company"), HealthCap VI L.P. and certain shareholders of the Company subscribed for 1,666,666 new shares at a subscription price of NOK 15 per share (MNOK 25 (USD 3.9) in total). The new share capital of the Company is NOK 5,297,608.2 divided into 26,488,041 shares, each with a nominal value of NOK 0.2.

A subsidiary in Zug, Switzerland is under establishment.

Note 11. Transition to IFRS

These financial statements have 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 30 September 2014 and for the comparative figures for the period ended 30 September 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, three months ended 30 September 2013 and nine months ended 30 September 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**	**86 022 709**
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital	2 214 942			2 214 942
Share premium	91 952 684		592 000	92 544 684
Other reserves	0		25 389 837	25 389 837
Retained earnings (accumulated losses)	-39 813 041		-1 551 131	-41 364 171
Total shareholders' equity	**54 354 585**	**0**	**24 430 706**	**78 785 292**
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**	**86 022 709**

Reclassification

In the Statement of financial position reclassifications are management determined and do not entail differences in accounting principles between NGAAP and IFRS. The reclassification of NOK 576,474 at 31 December 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 payables as one line item.

Under previous GAAP, the company classified all gains and losses as financial income/expense. Under IFRS, the classification should be consistent with the underlying transaction. As the relevant transactions are operating in nature, foreign exchange gains and losses are re-classified to operating items.

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.

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.

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.

Reclassification of Statement of profit or loss and other comprehensive income:				
	For the three months ended 30 September 2013			
	NGAAP	**Reclassification**	**Implementation effects**	**IFRS**
Continuing operations				
Revenues	**69 091**	**0**	**0**	**69 091**
Total operating revenue	**69 091**	**0**	**0**	**69 091**
Payroll and related expenses	1 515 577	0	56 288	1 571 865
Depreciation	27 065	0	0	27 065
Other operating expenses	1 921 562	4 090	148 000	2 073 652
Total operating expenses	**3 464 204**	**4 090**	**204 288**	**3 672 582**
Operating profit (loss)	**-3 395 113**	**-4 090**	**-204 288**	**-3 603 491**
Finance income and finance expenses				
Finance income	462 457	-4 206		458 251
Finance expenses	114 597	-8 296		106 301
Financial items, net	**347 860**	**4 090**	**0**	**351 950**
Loss before income tax	**-3 047 253**	**0**	**-204 288**	**-3 251 541**
Income tax	0	0	0	0
Loss for the period	**-3 047 253**	**0**	**-204 288**	**-3 251 541**
Other comprehensive income (loss), net of income tax				
Other comprehensive income (loss), net of income tax	0	0	0	0
Total comprehensive income (loss) for the period	**-3 047 253**	**0**	**-204 288**	**-3 251 541**
Loss for the period attributable to owners of the company	**-3 047 253**	**0**	**-204 288**	**-3 251 541**
Total comprehensive income (loss) for the period attributable to owners of the company	**-3 047 253**	**0**	**-204 288**	**-3 251 541**

Reclassification of Statement of profit or loss and other comprehensive income:				
	For the nine months ended 30 September 2013			
	NGAAP	Reclassification	Implementation effects	IFRS
Continuing operations				
Revenues	**236 970**	**0**	**0**	**236 970**
Total operating revenue	**236 970**	**0**	**0**	**236 970**
Payroll and related expenses	3 605 065		200 331	3 805 396
Depreciation	200 356			200 356
Other operating expenses	5 023 358	-8 094	148 000	5 163 262
Total operating expenses	**8 828 779**	**-8 094**	**348 331**	**9 169 013**
Operating profit (loss)	**-8 591 809**	**8 094**	**-348 331**	**-8 932 044**
Finance income and finance expenses				
Finance income	575 007	-21 307		553 700
Finance expenses	119 706	-13 213		106 494
Financial items, net	**455 301**	**-8 094**	**0**	**447 206**
Loss before income tax	**-8 136 508**	**0**	**-348 331**	**-8 484 838**
Income tax	0	0	0	0
Loss for the period	**-8 136 508**	**0**	**-348 331**	**-8 484 838**
Other comprehensive income (loss), net of income tax				
Other comprehensive income (loss), net of income tax	0	0	0	0
Total comprehensive income (loss) for the period	**-8 136 508**	**0**	**-348 331**	**-8 484 838**
Loss for the period attributable to owners of the company	**-8 136 508**	**0**	**-348 331**	**-8 484 838**
Total comprehensive income (loss) for the period attributable to owners of the company	**-8 136 508**	**0**	**-348 331**	**-8 484 838**

The implementation effects of IFRS 2 in the third quarter and the nine months ended 30 September 2013 are NOK 204,288 and NOK 348,331, respectively. The option expense is classified as a payroll cost (employees) or as other operating expenses (remuneration to members of the Board of Directors). Operating expenses relate to the benefit received by members of the Board in purchasing shares at a favorable 0.2 NOK per share, when market value was NOK 15. Benefit is based on 6,000 shares issued in September 2013.

Information

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