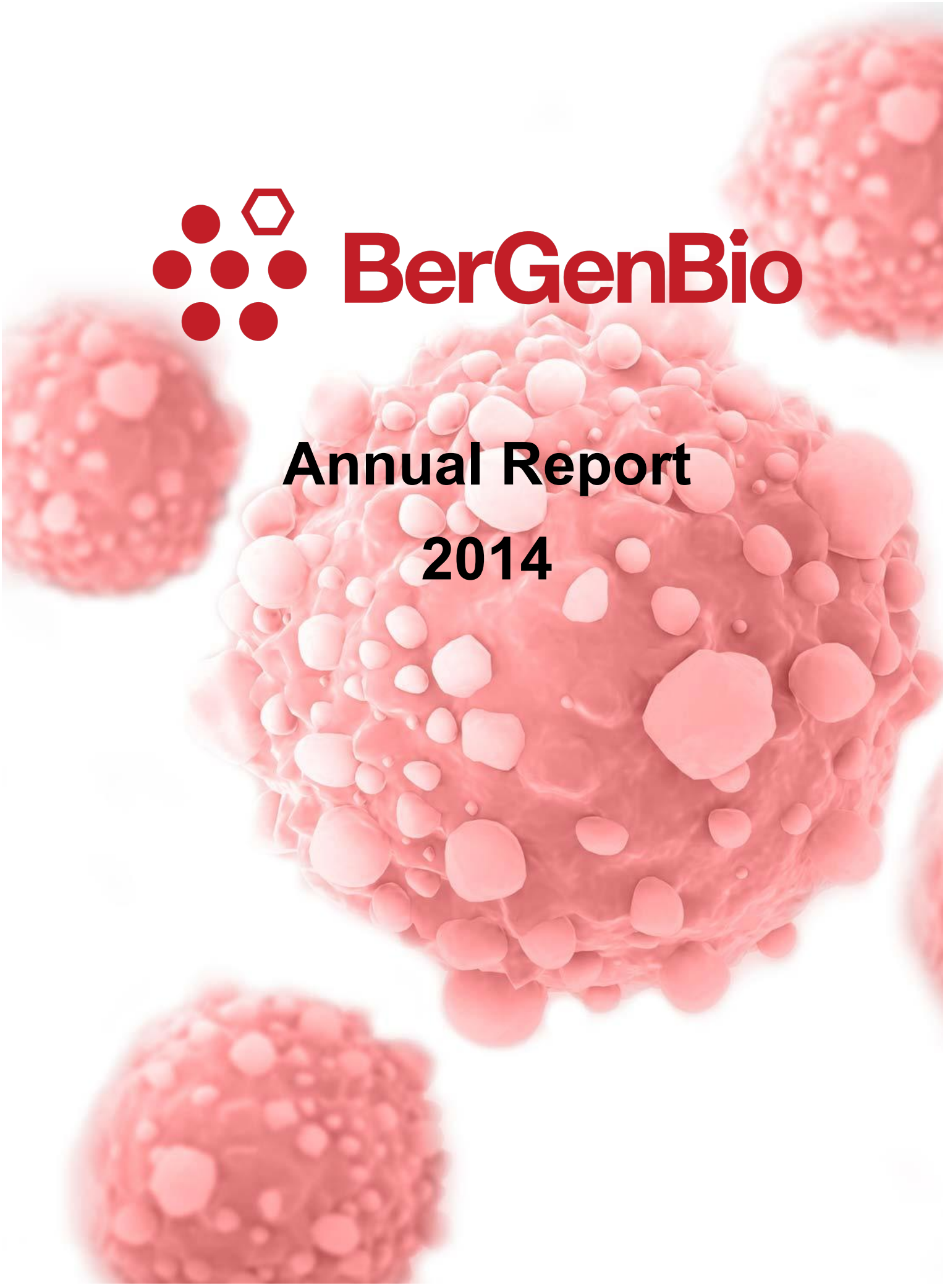

BerGenBio

Annual Report

2014

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Board of Directors report 2014

Summary and highlights

The Board of BerGenBio is pleased to report on a good year of progress in the Company; Its R&D programs are progressing well against plan and there is growing international acknowledgement by the scientific and industry communities, that the biological processes the Company is developing drugs against, namely the Epithelial to Mesenchymal Transition, EMT, is indeed an essential driver of aggressive drug resistant cancers.

During the year, the Company closed two financing rounds of NOK 75 million and NOK 90 Million in January and November respectively, thus broadening its shareholder base as well as securing the necessary funds to advance the roll out of clinical evaluation of our lead drug BGB 324.

The company was also awarded an investment of £1.6 million as a convertible loan from the Wellcome Trust's Seeding Drug Discovery scheme. This is a dedicated investment to develop novel small molecule inhibitors against BGB002, the company's second programme against a proprietary, novel cancer drug target.

Building an organisation with the capacity and competence to deliver on our ambitions has also been key to the year's progress and we are very please to inform shareholders of a post period event in February this year when Petter Nielsen joined the Company as CFO.

BGB324 – a promising novel treatment for aggressive drug resistant cancers

BerGenBio made good progress during 2014 in the development of its lead candidate BGB324. BGB324 is a first-in-class, highly selective small molecule inhibitor of the Axl receptor tyrosine kinase. It blocks epithelial-mesenchymal transition (EMT), which is a key driver in acquired drug resistance and metastasis.

During Q4 the first patient started treatment in our multi-centre Phase 1b trial (BGBC003) of BGB324 in patients with acute myeloid leukemia (AML) at Haukeland University Hospital in Bergen, Norway. The two part trial will primarily investigate the safety and tolerability of BGB324 when administered as a single agent and in combination with standard of care drug (cytarabine) in patients with AML; secondary endpoints will also explore evidence of clinical response and assess novel proprietary biomarkers. The study will be conducted at six sites, in Norway, Germany and the United States. The company expects data to be available from this trial in 2015.

We are delighted to report significant interest in the clinical evaluation of BGB324 at major cancer centres in the USA, including The University of Texas MD Anderson Cancer Center, Oncology Partners and at University of Texas Southwestern Medical Center, as well as the continuing commitment and enthusiasm from our collaborators in Norway and Germany.

A second Phase 1b trial of BGB324 is expected to start in the first half of 2015. The formalities for the trial are on track and the trial protocol has been agreed with principal investigators at MD Anderson and other sites.

Results from these two studies, which are expected later in 2015, will provide a key value inflection point for the company.

In Q1 the company presented positive preclinical data demonstrating BGB324's potential application as a novel treatment for non-small cell lung cancer (NSCLC) in a poster at the American Association of Cancer Research and The International Association for the Study of Lung Cancer's (AACR-ISLAC) joint conference on the Molecular Origins of Lung Cancer. The study, which was conducted in collaboration with investigators at the University of Bergen and University of Texas Southwestern Medical Center in Dallas, evaluated the effects of BGB324 on NSCLC cells in in vitro 3D assays and in mouse xenograft models, in combination with targeted chemotherapeutic agents. The results demonstrated that BGB324 can overcome acquired drug resistance in *in-vivo* models of NSCLC. This finding suggests that BGB324 may be effective in treating patients with acquired drug resistant NSCLC, this is significant unmet medical need that results from long-term administration of the EGFR inhibitor erlotinib (Roche's Tarceva), the current first line treatment for EGFR mutated NSCLC patients.

In Q2 the company presented encouraging results from its successful Phase 1a clinical study at the American Association of Cancer Research annual conference. The poster entitled “BGB324, a selective small molecule Axl kinase inhibitor to overcome EMT-associated drug resistance in carcinomas: Therapeutic rationale and early clinical studies”, detailed the results of a single ascending dose study, in 32 healthy volunteers, where BGB324 was shown to be safe and well tolerated.

The company received orphan-drug designation for BGB324 for treatment of AML from the US Food and Drug Administration (FDA) this quarter, which recognises the need for innovative new ways to treat AML. The designation will give BerGenBio access to various development incentives from the FDA, including tax credits for qualified clinical testing. Additionally, BerGenBio will be exempt from prescription drug user fees for BGB324 for this indication and, if the drug receives marketing approval, it will enjoy seven years of market exclusivity in the US.

Pipeline of EMT drugs

Using CellSelect™, our proprietary suite of complementary research technologies, the company has been able to identify and validate a number of novel drug targets and biomarkers in aggressive drug resistant cancers. The company has a promising pipeline of novel first in class EMT inhibitors at various stages of preclinical development..

BGB101 is the company’s portfolio of monoclonal antibodies, which target the Axl kinase receptor. The lead antibody in this portfolio, BGB109, is progressing according to schedule in our internal development programme towards being nominated a robust preclinical development candidate.

In Q2 the company presented a poster at the International Society of Oncology and Biomarkers annual congress in Barcelona. The poster entitled “Novel Anti-Human Axl Monoclonal Antibodies for Improved Patient Biomarker Studies” presented successful research that developed high performance and very sensitive assay methods and reagents for determining Axl protein expression in patient tissue samples. These methods and reagents will be of great value in our clinical trials.

During Q2 the company signed a license agreement with an international biotech company, to forward develop two of our early pipeline assets; details are commercially sensitive and remain confidential.

The internal development programme against BGB002, a novel target of EMT that was identified by the CellSelect™ technology, is also progressing according to schedule. Target validation studies have demonstrated its unique and critical role in mediating EMT and acquired drug resistance in aggressive cancers such as triple negative breast cancer, squamous cell lung cancer, melanoma and ovarian cancer. The company has filed IP on the target and its use and is currently carrying out lead optimisation studies to identify novel highly selective small molecule inhibitors.

The company has been granted a £1.6 million (NOK 16 million) Seeding Drug Discovery Award from the UK’s Wellcome Trust to develop novel small molecule inhibitors against BGB002. The Award, which is made in the form of a convertible loan, will fund the next phase of the company’s BGB002 drug development project over the next 12 months, concluding with preclinical proof of concept. The Wellcome Trust Seeding Drug Discovery Awards are made to fund especially promising, innovative new therapeutic concepts, addressing substantial unmet medical need. They will fund projects through to clinical trial implementation. The awards are highly competitive and very prestigious.

BerGenBio is funding the development of novel selective small molecule inhibitors of BGB002 at a contract research company called Sygnature Discovery Ltd,: the UK’s largest independent service provider of integrated drug discovery, with expertise in medicinal chemistry, in vitro bioscience, computational chemistry and informatics.

Funding to accelerate the development of innovative cancer therapies

In Q1 the company raised NOK 75 million from a syndicate of new and existing investors through a private placement. During Q4, the company raised an additional NOK 90 million in a private placement with new and existing investors. The company will use the proceeds from these financings to support the development of its pipeline of innovative cancer therapeutics, in particular the clinical development programme for its lead drug candidate, BGB324

We are making very good progress in the BGB002 project and have some very promising lead compounds that we will continue to refine and test in the coming months. The Board of BerGenBio are excited to have been selected for a £1.6 million Seeding Drug Discovery Award from the UK’s

Wellcome Trust to fund the next phase of our BGB002 drug development project to a preclinical proof of concept. This award is a tremendous achievement for the company and a solid endorsement both of our expertise in identifying key molecular drivers of aggressive drug resistant cancers and for our ability to translate these discoveries into viable drug candidates.

BerGenBio has also received non-dilutive grant funding to support its R&D programmes. In March BerGenBio was awarded a NOK 13 million grant from the Research Council of Norway's User-driven Research based Innovation programme (BIA) to help fund research into novel therapeutics for inhibiting EMT. The focus of the project is over the next three years to implement state-of-the-art R&D strategies to identify and develop new drug candidates with the potential to prevent and reverse acquired cancer drug resistance. BerGenBio also receives funding for PhD students engaged by the company. Three students were partly funded by the Research Council of Norway in 2013 and three students have been partly funded in 2014.

Additionally, the company continues to evaluate additional sources of complimentary funding to support our exciting research and clinical development programs.

As of 31 December 2014, the company had cash of NOK 126.4 million and including grant funding the company expects to be sufficiently funded until BGB324 has reached the first data read out in its Phase 1b clinical trials

Strategy and outlook

BerGenBio's strategy is to develop its pipeline of novel oncology drugs by leveraging its leadership position in understanding the underlying biology of aggressive and drug resistant cancers that are believed to be mediated by EMT.

The company is developing its pipeline of innovative drug candidates to a point of significant value inflection, typically clinical proof of principle, before deciding whether to seek a licensing partner for further development.

With its lead development programme the company is addressing a market estimated to be worth in excess of US$8 billion. There is a significant unmet need for effective novel therapies that can address acquired drug resistance in many cancers. It is estimated that one in three people die of cancer, 90% of these are from tumours that are aggressive, have spread and become drug resistant. Axl has been shown to play a critical role in the emergence of acquired drug resistance in many haematological and solid cancers. It has been repeatedly demonstrated and published that, in preclinical studies, BGB324 is uniquely effective in preventing and reversing acquired drug resistance in many cancers, including, AML, NSCLC, breast, colon, head and neck and pancreatic..

BGB324 is the only selective Axl receptor tyrosine kinase inhibitor in clinical development to target tumour EMT, which is a key driver in drug resistance and metastasis. The company believes it offers a promising new treatment options for AML and NSCLC, in patients who are resistant to current standards of care.

Development of the company's second candidate, BGB002, is progressing well. Target validation studies have demonstrated its unique and critical role in mediating EMT and acquired drug resistance in aggressive cancers such as triple negative breast cancer, squamous cell lung cancer and ovarian cancer. The company has filed patent applications on the target and its use, from which preclinical candidates can be selected.

Summary and Outlook for 2015

Following the two successful fundraisings this year BerGenBio has broadened its shareholder base and is well placed to continue to execute our corporate plan and to make strong progress with our clinical research programmes over the next twelve months.

The organization will be strengthened further as we take the Company towards preparation for the public markets.

Financial review

Accounting policies

The financial statements of BerGenBio AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU on 31 December 2014.

Operating revenues

Total operating revenues for 2014 amounted to NOK 0.6 million compared to NOK 0 in 2013. Revenues are related to the out-license of two of the early pipeline asset.

Operating expenses

Net operating expenses increased from NOK 39.0 million in 2013 to NOK 59.4 million 2014. The cost increase was driven by the acceleration of the development programs and clinical trials. Operating loss for BerGenBio amounted to NOK 58.8 million compared to NOK 39.0 million in 2013.

Research and development cost

The process of developing a drug product candidate is often divided into several phases, each used to describe the different aspects of the drug product candidate. The different phases are: the discovery phase, the preclinical development phase and the clinical research phase. BGB324, the first product candidate of BerGenBio is currently in phase Ib of the clinical research phase. Expenditure on research activities was recognized as an expense in the period in which it was incurred. Uncertainties related to the regulatory approval process and results from ongoing clinical trials generally indicate that the criteria for capitalization of R&D cost are not met until market authorization is obtained from relevant regulatory authorities. The Company has currently no development expenditure that qualifies for recognition as an asset under IAS 38. Expenses for research and development for the financial year 2014 were NOK 39.6 million, whereas NOK 33.4 million were classified as other operating expenses and NOK 6.3 million were classified as payroll. In 2013 the research and development costs were NOK 32.4 million, whereas NOK 24.3 million and NOK 8.1 million were classified as other operating expenses and payroll respectively.

Net financial items

Net financial items for BerGenBio amounted to NOK 1.0 million for 2014 compared to NOK 0 million for 2013. The increase was related to interests from ordinary bank deposits after raising NOK 165 million in private placements in January and November 2014.

Performance

Total comprehensive loss for the year attributable to owners of BerGenBio was NOK – 60.5 million for 2014 compared to NOK -39.0 million for 2013. Ordinary earnings per share amounted to NOK -323 in 2014 for BerGenBio AS compared to NOK -412 in 2013.

Financial position and cash flow

Property, plant and equipment decreased from NOK 0.7 million end of 2013 to NOK 0.5 million end of 2014.

Cash and cash equivalents were NOK 126.4 million at year-end 2014 for BerGenBio AS compared to NOK 12.1 million at year-end of 2013. The increase reflected the successful private placements with total gross proceeds amounting to NOK 165 million.

Total liabilities for the BerGenBio were 14.4 million in 2014 compared to NOK 5.8 million at year-end of 2013.

Shareholders' equity for BerGenBio was NOK 121.6 million end of 2014, with an equity ratio of 89.4% compared to NOK 12.0 million in 2013 (equity ratio of 67.7%).

The total cash flow from operating activities was NOK -53.7 million in 2014, compared to NOK -37.0 million in 2013. Total cash flow from investing activities was NOK 0 million in 2014, compared to NOK -0.5 million in 2013. Total cash flow from financing activities was net NOK 168.0 million end of 2014 compared to NOK 37.5 million in 2013.

Deferred tax assets were not recognized in the statement of financial position as BerGenBio is in a development phase and is currently generating losses.

The Board stated that the annual accounts represent a true and fair view on the Company's financial position at the turn of the year. According to the Norwegian Accounting Act §3-3 (a), the Board of Directors confirmed that the financial statements

have been prepared under the assumption of going concern.

Allocation of the 2014 result

BerGenBio AS' annual result amounted to a loss of NOK -57.8 million. The Board of Directors proposed that the loss is transferred to share premium.

Financial risks

Interest rate risk

The Company holds NOKm 126.4 in cash and cash equivalents and does not have any borrowings. The Company's interest rate risk is therefore in the rate of return of its cash on hand. Bank deposits are exposed to market fluctuations in interest rates, which affect the financial income and the return on cash. The Company had NOKm 1.5 in interest income as of 31 December 2014.

Exchange rate risk

The value of non-Norwegian currency denominated revenues and costs will be affected by changes in currency exchange rates or exchange control regulations. The Company undertakes various transactions in foreign currencies and is consequently exposed to fluctuations in exchange rates. The exposure arises largely from research expenses. The Company is mainly exposed to fluctuations in euro (EUR), pounds sterling (GBP) and US dollar (USD).

The Company has chosen not to hedge its operational performance as the Company's cash flow is denominated in several currencies that change depending on where clinical trials are run. The foreign currency exposure is also mostly linked to trade payables with short payment terms. The Company might consider changing its current risk management of foreign exchange rate if it deems it necessary.

Credit risk

Credit risk is the risk of counterparty's default in a financial asset, liability or customer contract, giving a financial loss. The Company's` receivables are generally limited to receivables from public authorities by way of government grants. The credit risk generated from financial assets in the Company is limited since it is cash deposits. The Company only places its cash in bank deposits in recognised financial institutions to limit its credit risk exposure.

The Company has not suffered any loss on receivables during 2014 and the Company considers its credit risk as low.

Liquidity risk

Liquidity is monitored on a continual basis by Company management. Management considers the Company's liquidity situation to be satisfactory. The Company raised NOKm 90 in a private placement in November 2014 and NOKm 75 in January 2014. The available cash will support the execution of our R&D and pre-commercialization strategy through the second quarter of 2016. The cash position of the Company at year-end 2014 was NOKm 126.4, compared to NOKm 12.1 in 2013.

Non-financial risks

Technology risk

The Company's lead product candidate BGB324 is currently in phase Ib clinical trials. This is regarded as an early stage of development and the Company's clinical studies may not prove to be successful.

Competitive technology

The Company operates in a highly competitive industry with many large players and subject to rapid and substantial technological change.

Market risks

The financial success of the Company requires obtaining acceptable price and reimbursement. There can be no guarantee that the Company's drugs will obtain the selling prices or reimbursement levels foreseen by the Company.

The Company will need approvals from the US Food and Drug Administration (FDA) to market its products in the US, and from the European Medicines Agency (EMA) to market its products in Europe, as well as equivalent regulatory authorities in other foreign jurisdictions to commercialize in those regions. The Company's future earnings are likely to be largely dependent on the timely approval of BGB324 for various indications.

Personnel and organization

BerGenBio's senior management team at year-end consists of Richard Godfrey, Chief Executive Officer, Jim Lorens, Chief Scientific Officer, Murray Yule, Chief Medical Officer, David Micklem, Director of Diagnostics & Biomarkers and Sergej Kiprijanov, Director of Preclinical & Biologics.

BerGenBio AS is a limited company incorporated and domiciled in Norway.

The Company rents premises in Bergen for its office and laboratory purposes under two rental agreements. The rental agreements expire on 1 December 2020 with an option for extension.

Health, safety and environment (HSE)

At the end of 2014, the Company employed 21 people, of which 4 are part time employed. This is an increase of 2 employees compared to the end of 2013. The working environment in the Company is considered to be good. No accidents or injuries were registered in 2014. Absence due to illness in BerGenBio totalled 21 working days in 2014, which corresponds to 0.5% of total working days compared to 0.6% (20 working days) in 2013.

BerGenBio aims to be a workplace with equal opportunities for women and men in all areas. The Company has traditionally recruited from environments where the number of women and men is relatively equally represented. In terms of gender equality within the Company, 12.5% of Board members are women, and 0% of the senior management team.

BerGenBio promotes a productive working environment and does not tolerate disrespectful behaviour. BerGenBio is an equal opportunity employer. Discrimination in hiring, compensation, training, promotion, termination or retirement based on ethnic and national origin, religion, sex or other distinguishing characteristics is never acceptable. BerGenBio will not use force of any form or involuntary labour or employ any persons below the legal minimum age. BerGenBio shall strive to achieve a vision of zero harm to people, the environment and society, and work purposefully and systematically to reduce the environmental impact. The Company's services shall always be subject to strict requirements in terms of quality, safety and impacts on personal health and the environment.

External environment

The Company does not pollute the external environment to a greater extent than is normal for this industry. All production and distribution is outsourced to carefully selected qualified vendors.

Bergen, 22 May 2015, The Board of Directors, BerGenBio AS

Financial statements

Statement of profit or loss and other comprehensive income

1 January - 31 December
(NOK 1000)

	Note	2014	2013
Revenue	4	**598**	**-**
Employee benefit expenses	5, 7, 10	17 598	9 884
Depreciation	8	179	109
Other operating expenses	7, 13	41 645	28 961
Total operating expenses		**59 422**	**38 953**
Operating profit		**-58 824**	**-38 953**
Finance income	11	2 304	640
Finance expense	11	1 261	660
Financial items, net		**1 044**	**- 19**
Profit before tax		**-57 780**	**-38 973**
Income tax expense	12	-	-
Profit after tax		**-57 780**	**-38 973**
Other comprehensive income			
Items which will not be reclassified over profit and loss			
Actuarial gains and losses on defined benefit pension plans	10	-2 704	-
Total comprehensive income for the year		**-60 484**	**-38 973**
Earnings per share:			
- Basic and diluted per share	14	-323,44	-411,83

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Statement of financial position

31 December
(NOK 1000)

	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	8	540	719
Total non-current assets		**540**	**719**
Current assets			
Other current assets	15	9 124	4 979
Cash and cash equivalents	16	126 357	12 113
Total current assets		**135 482**	**17 092**
TOTAL ASSETS		**136 022**	**17 811**
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Share capital	18	2 415	1 123
Share premium	18	112 442	6 165
Other paid in capital	6, 18	6 747	4 759
Total paid in capital		**121 605**	**12 047**
Total equity		**121 605**	**12 047**
Non-current liabilities			
Pension liability	10	4 464	1 957
Total non-current liabilities		**4 464**	**1 957**
Current liabilities			
Accounts payable		4 403	1 358
Other current liabilities	19	4 266	2 218
Provisions	20	1 285	231
Total current liabilities		**9 953**	**3 807**
Total liabilities		**14 418**	**5 764**
TOTAL EQUITY AND LIABILITIES		**136 022**	**17 811**

Bergen, 22 May 2015, The Board of Directors, BerGenBio AS

Statement of changes in equity

(NOK 1000)

	Note	Share capital	Share premium	Equity-settled share-based payments	Total equity
Balance at 1 January 2014		**1 123**	**6 165**	**4 759**	**12 047**
Loss for the year		-	-57 780	-	-57 780
Other comprehensive income (loss) for the year, net of income tax		-	-2 704	-	-2 704
Total comprehensive income for the year		**-**	**-60 484**	**-**	**-60 484**
Recognition of share-based payments	5 ,6	-	-	1 988	1 988
Calculated interest element on convertible loan	11,17	-	94	-	94
Issue of ordinary shares	18	1 292	171 982	-	173 274
Share issue costs	18	-	-5 315	-	-5 315
Balance at 31 December 2014		**2 415**	**112 442**	**6 747**	**121 605**

	Note	Share capital	Share premium	Equity-settled share-based payments	Total equity
Balance at 1 January 2013		**770**	**7 980**	**3 373**	**12 123**
Loss for the year		-	-38 973	-	-38 973
Other comprehensive income (loss) for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		**-**	**-38 973**	**-**	**-38 973**
Recognition of share-based payments	5 ,6	-	-	1 386	1 386
Issue of ordinary shares	18	353	37 157	-	37 511
Share issue costs	18	-	-	-	-
Balance at 31 December 2013		**1 123**	**6 165**	**4 759**	**12 047**

Statement on cash flow

1 January - 31 December
(NOK 1000)

	Note	2014	2013
Cash flow from operating activities			
Loss before tax		-57 780	-38 973
Non-cash adjustments to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	8	179	109
Calculated interest element on convertible loan	11,17	94	-
Share-based payment expense	5	1 988	1 386
Movement in provisions and pensions	10, 20	857	29
Working capital adjustments:			
Decrease in trade and other receivables and		-4 145	345
Increase in trade and other payables		5 093	103
Net cash flow from operating activities		**-53 715**	**-37 000**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	-	- 485
Net cash flow used in investing activities		**-**	**- 485**
Cash flows from financing activities			
Proceeds from issue of share capital	18	167 959	37 511
Net cash flow from financing activities		**167 959**	**37 511**
Net increase/(decrease) in cash and cash equvivalents		114 245	25
Cash and cash equivalents at beginning of period	16	12 113	12 088
Cash and cash equivalents at end of period	16	**126 357**	**12 113**

Notes to the Financial Statements

Note 1 – Corporate information

BerGenBio AS ("the Company") is a limited company incorporated and domiciled in Norway. The address of the registered office is Jonas Lies vei 91, 5009 Bergen, Norway.

The Company is a clinical stage biopharmaceutical company focused on developing innovative drugs for aggressive, drug resistant cancers.

The Company is a world leader in understanding epithelial-mesenchymal transition (EMT) biology, which is widely recognised as a key pathway in acquired cancer drug-resistance and metastasis. Building on this original biological insight BerGenBio is developing a promising pipeline of novel EMT inhibitors.

BerGenBio intends to develop its product candidates to proof of concept stage; further clinical development and subsequently commercialisation will be through strategic alliances and partnerships with experienced global bio-pharma oncology businesses.

The Company is not part of a group and does consequently not prepare consolidated financial statements. Publication of the financial statements for the year ending 31st December 2014 was approved by the Board of Directors on 22nd May 2015.

Note 2 – 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) and all values are rounded to the nearest thousand (NOK 000), except when otherwise indicated. The functional currency of the Company is NOK.

Basis of preparation

The financial statements of BerGenBio AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union and Norwegian disclosure requirements listed in the Norwegian Accounting Act. These are the Company's first financial statements prepared in accordance with IFRS, for further information see Note 22.

The financial statements have been prepared on a 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 judgment 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 3.

The financial statements provide comparative information in respect of the previous period.

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 capital increase within the next 12 months, if market conditions are acceptable. The Board of Directors has 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 financial statements.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, and is recognised excluding taxes or duties.

The Company's products are still in the research and development phase, and have limited revenue from sales of products yet.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant is recognized in the income statement in the same period as the related costs, and presented net. Government grants are recognised at the value of the contribution at the transaction date.

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 costs

Research costs are expensed as incurred. Internal development costs related to the Company's development of products are recognised in the income statement in the year incurred unless it meets the asset recognition criteria of IAS 38 "Intangible Assets". An internally generated asset arising from the development phase of an R&D project is recognised as an intangible asset if the Company can demonstrate:

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

Uncertainties related to the regulatory approval process and results from on-going 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 under IAS 38.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Acquisition cost includes expenditures that are directly attributable to the acquisition of the individual item. Property, plant and equipment are depreciated on a straight-line basis over the expected useful life of the asset. If significant individual parts of the assets have different useful lives, they are recognised and depreciated separately. Depreciation commences when the assets are ready for their intended use.

Depreciation is calculated over the estimated useful lives of the assets, as follows:

- Computer equipment 5 years
- Other equipment 5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of the property, plant and equipment are reviewed at each financial year and adjusted prospectively, if appropriate.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease.

The Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

The Company has not entered into any finance lease arrangements.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Company's financial assets include loans and receivables.

The Company does not have financial assets at fair value through profit and loss.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in two categories

- Financial assets at fair values through profit and loss
- Loans and receivables

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised costs is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 15.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired
  Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, and loans and borrowings.

The Company does not have financial liabilities at fair value through profit and loss.

Subsequent measurement

The measurement of financial liabilities depends on their classifications, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Share-based payments

The Company operates an equity-settled, share-based compensation plan, under which the Company receives services from employees and members of the Board as consideration for share-based payments (options). The share-based compensation is an equity-settled transaction.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

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

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

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Foreign currencies

The Company's financial statements are presented in NOK, which is also the company's functional currency.

Transactions and balances

Transactions in foreign currencies are recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Convertible loan

The Company has a convertible loan agreement where the number of equity instruments required to settle the contract is not fixed. This is a financial liability consisting of a loan and an embedded derivative. As the number of equity instruments required to settle is not fixed the derivative does not fulfil the requirements of an equity instrument, and is therefore a financial liability rather than a equity component.

On issuance of the convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised as a derivate liability. The carrying amount of the conversion option is not remeasured in subsequent years.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in

the provision due to the passage of time is recognised as a finance cost.

Pensions and other post-employment benefits

The Company operates a defined benefit pension plan in, which requires contributions to be made to a separately administered fund. The Company also provides certain additional post employment healthcare benefits to employees. These benefits are unfunded.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under employee benefit expenses:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

New and amended standards and interpretations

The Company has evaluated that none of the new standards will have any material impact based on the business as of today.

Note 3 – Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared.

Share-based payments

The Company initially measures the cost of cash-settled transactions with employees using the Black & Scholes model to determine the fair value of the liability incurred. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that

may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are given in Note 10.

Note 4 – Segments

The Company has limited revenues in 2014 and no revenues in 2013. The revenues in 2014 are related to licensing of an antibody within Europe.

For management purposes the Company is organised as one business unit and the internal reporting is structured in accordance with this.

Note 5 – Payroll and related expenses

	2014	2013
Salaries	13 489	9 607
Social security tax	2 845	1 441
Pension expense	1 336	994
Bonus	277	163
Share option expense employees	1 988	1 386
Other remuneration	753	907
Government grants	-3 091	-4 615
Total payroll and related expenses	**17 598**	**9 884**
Average number of full time equivalent employees	21	19

Management remuneration

Total remuneration to management during the year ended 31 December 2014

			Salary	Bonus	Pension cost	Other remuneration
Richard Godfrey (CEO)		A)	1 387	125	190	12
Marit Wick (CFO)	1)		355	-	76	7
James B Lorens (CSO)	2)	B)	429	125	36	8
David R Micklem (Director of Diagnostics & Biomarkers)		C)	864	-	131	8
Sergej Kiprijanov (Director of Preclinical & Biologics)			1 084	-	193	8
Total remuneration			**4 120**	**250**	**626**	**43**

1) Employed part-time in a 40% position. Marit Wick held the position as CFO until 31 October 2014.
2) Employed part-time in a 20% position.

For management participating in the option program, the expense charged to the profit or loss for 2014 is as follows:

A. Richard Godfrey, NOK 625,251
B. James Lorens, NOK 458,417
C. David Micklem, NOK 150,294

In the event of termination of the CEO's employment contract by the company without cause, he is entitled to 12 months notice or severance payment in lieu of equivalent salary, bonus and benefits. In the event of a change of control the CEO is entitled to compensation of 18 months' salary and at the CEO's sole discretion buy back of his shares to fair market value, both in the event that the employment agreement is terminated within 18 months of a change of control of the Company.

Total remuneration to management during the year ended 31 December 2013

			Salary	Bonus	Pension cost	Other remuneration
Richard Godfrey (CEO)		A)	1 275	-	143	11
Marit Wick (CFO)	1)		39	-	5	-
James B Lorens (CSO)	2)	B)	413	-	34	2
David R Micklem (Director of Diagnostics & Biomarkers)		C)	825	118	141	9
Sergej Kiprijanov (Director of Preclinical & Biologics)	3)		144	-	-	-
Total remuneration			**2 695**	**118**	**324**	**22**

1) Employed part-time in a 20% position. Marit Wick held the position as CFO as of 1 November 2013.
2) Employed part-time in a 20% position.
3) Employed since 18 November 2013

For management participating in the option program, the expense charged to the profit or loss for 2013 is as follows:

A. Richard Godfrey, NOK 262,646
B. James Lorens, NOK 227,776
C. David Micklem, NOK 148,540

Board of Directors remuneration

The remuneration to the Board of Directors for the year ended 31 December

		2014	2013
Susan Foden	A)	180	161
John Barrie Ward	B)	135	126
David Ian Wilson	C)	135	-
Kåre Rommetveit		34	-
Total remuneration		**483**	**287**

For members of the Board of Directors participating in the option program, the expense charged to the profit or loss for 2014 (2013) is as follows:

A. Susan Foden, NOK 244,707 (2013: NOK 174,766)
B. John Barrie Ward, NOK 70,784 (2013: NOK 123,118)
C. David Ian Wilson, NOK 144,504 (2013: NOK 150,524)

Members of management and Board of Directors participating in the option program

Option holder	Number of options outstanding	Grant date	Expiry date	Exercise price (NOK)
Richard Godfrey	500	10-Sep-10	31-Dec-17	565,00
	1 000	27-May-11	31-Dec-17	756,00
	750	21-Jun-12	31-Dec-17	1 061,72
	1 500	3-Sep-13	3-Sep-21	1 061,72
	750	13-Jun-13	13-Jun-21	1 061,72
	1 200	11-Jun-14	11-Jun-22	1 115,00
James B Lorens	500	10-Sep-10	31-Dec-17	565,00
	250	27-May-11	31-Dec-17	756,00
	750	21-Jun-12	31-Dec-17	1 061,72
	550	3-Sep-13	3-Sep-21	1 061,72
	1 000	13-Jun-13	13-Jun-21	1 061,72
	700	11-Jun-14	11-Jun-22	1 115,00
David R Micklem	500	10-Sep-10	31-Dec-17	565,00
	250	27-May-11	31-Dec-17	756,00
	750	21-Jun-12	31-Dec-17	1 061,72
	550	13-Jun-13	13-Jun-21	1 061,72
Susan Foden	1 000	18-Jun-12	18-Jun-20	1 061,72
	550	3-Sep-13	3-Sep-21	1 061,72
	250	20-Jun-13	20-Jun-21	1 061,72
	500	19-Jun-14	19-Jun-22	1 115,00
John Barrie Ward	500	28-Jun-12	28-Jun-20	1 061,72
	175	20-Jun-13	20-Jun-21	1 061,72
	200	19-Jun-14	19-Jun-22	1 115,00
David Ian Wilson	675	20-Jun-13	20-Jun-21	1 061,72
	200	19-Jun-14	19-Jun-22	1 115,00
Total	**15 550**			

Note 6 – Employee share option program

The Company has a share option scheme for employees. Each option gives the right to acquire one share of the Company on exercise. Since the start of the option scheme no options have been exercised.

The Company has a share option program to ensure focus and align the Company's long-term performance with shareholder values and interest. Most of the employees in the Company take part in the option program. The program also serves to retain and attract senior management.

The exercise price for options granted is set at the market price of the shares at the time of grant of the options. In general, for options granted after 2012 the options expire eight years after the date of grant.

The options vest at milestones that are significant for the Company and/or significant to the responsibility of the employee. There are many different vesting milestones associated with the options as these have been granted over several years where different short- and long-term objectives have been prioritised as vesting criteria's. For options granted in 2013 and 2014 the majority vest at IPO/Exit. Options granted in prior periods have been linked to among other successful funding at various stages of the company's development, filing of IMPD/IND for BGB324, IMPD approval, start of Phase I clinical trials, in-licensing of an Axl small molecule, development of biomarker and bioassay for use in clinical trials and other similar criteria's.

The following equity incentive schemes were in place in the current year:

	Number of options	Grant date	Expiry date	Exercise price
Granted in September 2010	2 250	Sep 2010	Dec 2017	565,00
Granted in May 2011	1 750	May 2011	Dec 2017	756,00
Granted in June 2012	2 850	Jun 2012	Dec 2017	1 061,72
Granted in June 2012	2 250	Jun 2012	Jun 2020	1 061,72
Granted in June 2013	3 600	Jun 2013	Jun 2021	1 061,72
Granted in September 2013	4 000	Sep 2013	Sep 2021	1 061,72
Granted in June 2014	2 800	Jun 2014	Jun 2022	1 115,00
Total	**19 500**			

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at 1 January	16 700	962,76	9 100	880,11
Granted during the year	2 800	1 115,00	7 600	1 061,72
Exercised during the year	-	-	-	-
Forfeited	-	-	-	-
Balance at 31 December	**19 500**	**984,62**	**16 700**	**962,76**

The weighted average fair value of the options granted in 2014 is NOK 484.75, totalling to NOKm 1.4, while it for 2013 was NOK 565.66, totalling to NOKm 4.3.

	2014	2013
Options vested at 1 January	8 826	5 750
Vested in the period	774	3 076
Options vested at 31 December	**9 600**	**8 826**
Total outstanding number of options	19 500	16 700
Total carrying amount at the end of the period (NOK000)	6 747	4 759
Total intrinsic value at the end of the period (NOK000)	12 019	1 653

The options are valued using the Black & Scholes model.

The risk free interest rates are based on rates from Norges Bank and Oslo Børs on the Grant Date (bonds and certificates) equal to the expected term of the option being valued. Where there is no exact match between the term of the interest rates and the term of the options, interpolation is used to estimate a comparable term.

The vesting period is the period during which the conditions to obtain the right to exercise must be satisfied. Most of the options vest dependent on meeting milestones and is thus dependent on a performance condition. The Company has estimated an expected vesting date and this date is used as basis for the expected lifetime. The Company expects the options to be exercised earlier than the expiry date. For Options granted earlier than 2014, the mean of the expected vesting date and expiry date has been used to calculate expected lifetime due to the lack of exercise pattern history for the Company and experience from other companies in combination with the relatively long lifetime of these options (up to 8 years). For Options granted in 2014 or later, the company expects an Exit/IPO by the end of 2015 or early 2016 and it is expected that the holders will exercise their options earlier as the shares is expected to be tradable, hence an assumption has been made that these options will be exercised on average 1 year following vesting as most of these have vesting contingent on Exit/IPO or condition expected to be met after Exit/IPO.

As the Company's shares are not listed there are no historical share prices to calculate the historical volatility, therefore the historical volatility of similar listed companies is used. 70% expected future volatility has been applied.

The share option expense-based is NOKm 2.0 (2013: NOKm 1.4). In addition a provision for social security contributions on share options of NOKm 1.1 (2013: NOKm 0.0) is recognised based on the difference between the share price and exercise price on exercisable option as at 31 December.

Note 7 – Government grants

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

	2014	2013
Payroll and related expenses	3 091	4 615
Other operating expenses	7 364	4 456
Total	**10 456**	**9 071**

Grants receivable as at 31 December are detailed as follows:

	2014	2013
Grants from Research Council, BIA	3 817	1 875
Grants from Research Council, PhD	470	663
Grants from SkatteFunn	3 968	1 781
Total	**8 255**	**4 319**

BIA grants from the Research Council:

The Company has been awarded with two grants from the Research Council, programs for user-managed innovation arena (BIA).

The first BIA grant ("Targeting Cancer Stem Cells with Axl inhibitors to Treat Advanced Metastatic Cancer") totals to NOKm 11.7 and covers the period from June 2012 to May 2015. The Company has recognised NOKm 2.9 (2013: NOKm 5.6) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

The second BIA grant ("Novel therapeutics targeting the EMT/Axl pathway in aggressive cancers") totals to NOKm 13.2 and covers the period from May 2014 to April 2017. The Company has recognised NOKm 2.9 (2013: NOKm 0) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

PhD grants from the Research Council:

The Company has been awarded four grants supporting Industrial PhDs for the period from September 2010 through July 2017. The fellowship covers 50 % of the established current rates for doctoral research fellowships and an operating grant to cover up to 50 % of additional costs related to costly laboratory testing connected with the research fellow's doctoral work.

The Company has recognised NOKm 0.8 (2013: NOKm 1.7) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

SkatteFunn:

R&D projects have been approved for SkatteFunn for the period from 2012 until the end of 2015. The Company has recognised NOKm 4.0 in 2014 (2013: NOKm 1.7) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

Note 8 – Property, plant and equipment

Year ended 31 December 2014	IT equipment	Furniture and fittings	Total
Cost at 1 January 2014	16	879	895
Additions in the year	-	-	-
Disposals in the year	-	-	-
Cost at 31 December 2014	**16**	**879**	**895**
Accumulated depreciatioan at 1 January 2014	- 6	- 170	- 175
Depreciation in the year	- 3	- 176	- 179
Accumulated depreciatioan at 31 December 2014	**- 9**	**- 346**	**- 354**
Net carrying amount at 31 December 2014	**7**	**533**	**540**
Estimated useful life	5 years	5 years	
Depreciation method	Straight-line	Straight-line	

Year ended 31 December 2013	IT equipment	Furniture and fittings	Total
Cost at 1 January 2013	16	393	409
Additions in the year	-	485	485
Disposals in the year	-	-	-
Cost at 31 December 2013	**16**	**879**	**895**
Accumulated depreciatioan at 1 January 2013	- 2	- 64	- 67
Depreciation in the year	- 3	- 105	- 109
Accumulated depreciatioan at 31 December 2013	**- 6**	**- 170**	**- 175**
Net carrying amount at 31 December 2013	**10**	**709**	**719**
Estimated useful life	5 years	5 years	
Depreciation method	Straight-line	Straight-line	

Expenses for research and development for the financial year 2014 is NOKm 39.6, of which NOKm 33.4 is classified as other operating expenses and NOKm 6.3 is classified as payroll.

For 2013 NOKm 32.4 was expensed for research and development, of which NOKm 24.3 was classified as other operating expenses and NOKm 8.1 was classified as payroll. The figures are net of government grants that have been recognised in the profit or loss as a reduction of related expense.

The company has not entered any arrangements that are classified as finance leases.

Note 9 – Leases

The Company has not entered into any arrangements that are classified as finance leases. The following arrangements are classified as operating leases:

The Company rents premises in Bergen for office and laboratory purposes under two rental agreements. In addition to the rent the Company is charged for a proportionate share of common variable expenses.

The rented premises are in total 245 square metres. Both rental agreements expire on 1 December 2020, with an option of extension for an additional 5 plus 5 years. Either party with 12 months notice may terminate the rental agreements. ..

The annual rental amount, including the share of common variable expense, for the premises is NOK 359 516 (2013: NOK 330 136).

The rent is subject to a yearly adjustment in accordance with the Norwegian consumer price index.

Under the same rental agreement the Company has access to the use of defined scientific equipment at a cost of NOK 38 430 (2013: NOK 37 312) per employee per year. The number of employees with access to the use of the

scientific equipment is determined by the Company, as such the Company determines the yearly cost. The price is subject to a yearly adjustment of 3.5%.

Future minimum rental payable for premises	2014	2013
Within 1 year	370	360
Within 1-5 years	-	-
Over 5 years	-	-
Total	**370**	**360**

Note 10 – Pensions

The company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("Lov om obligatorisk tjenestepensjon").

The Company has a pension scheme that complies with the Act on Mandatory company pensions.

The Norwegian employees are covered by the company's defined benefit scheme. The scheme is insured and through this scheme the member will be guaranteed a certain level of pension payments based on their last salary level.

Pension adjustments are made annual following the annual payaward determined by the compensation committee and shall at the minimum equal the inflation adjustment. As of 31 December 2014 there are 16 active and 1 retired people covered by the pension scheme.

The effect of the difference between actual return on the pension assets and the discount rate will be recognised in other comprehensive income in the statement of comprehensive income in accordance with the regulation in IAS 19. In 2014 NOKm 2.7 in recognised in other comprehensive income (OCI).

The year's pension costs are calculated as	2014	2013
Current service cost	1 152	1 108
Interest expense/(income)	45	35
Administration costs	8	8
Payroll tax	170	162
Total	**1 375**	**1 313**

Pension liabilities and pension assets:	2014	2013
	Funded	Funded
Change in gross pension obligation:		
Projected benefit obligation as of 1 January	4 887	3 679
Gross pension expense	1 347	1 254
Pensions paid during the period	- 47	- 45
Interest cost	-	-
Actuarial gains/losses	2 097	-
Benefits paid	-	-
Gross pension obligation as of 31 December	**8 284**	**4 887**
Change in plan assets:		
Fair value of plan assets as of 1 January	3 172	1 985
Investments in pension fund assets	1 378	1 129
Actual return on pension assets	149	111
Pensions paid during the period	- 55	- 53
Actuarial gains/losses	- 273	-
Fair value of the plan assets as of 31 December	**4 372**	**3 172**
Net pension obligation	**3 913**	**1 715**
Net pension obligation including payroll tax	**4 464**	**1 957**

Changes in the liabilities:	2014	2013
Net liability as of 1 January	1 957	-
Pension costs recognised in the income statement	1 375	1 313
Premium payments (exclusive of adm. cost)	-	-
Administration cost	2 704	1 932
Acquisitions and sales	-1 572	-1 288
Net liability as of 31 December	**4 464**	**1 957**

The actuary assumptions used are:	2014	2013
Discount rate	2,30%	4,00%
Return on assets	2,30%	4,00%
Wage growth in %	2,75%	3,75%
Pension adjustments in %	0,00%	0,90%
Average turnover	0,00%	0,00%

The actuarial calculation uses risk tables. Expected mortality is based on the mortality table K2013.

Note 11 – Financial income and expense

	2014	2013
Financial income		
Interest income on tax repaid	11	14
Interest income on bank deposits	1 457	537
Other finance income	837	90
Total financial income	**2 304**	**640**

	2014	2013
Financial expense		
Other interest expense	12	6
Calculated market interest rate on convertible loan	94	-
Other finance expense	1 155	654
Total financial expense	**1 261**	**660**
Net financial income	**1 044**	**- 19**

For interest calculation on the convertible loan see Note 17.

Note 12 – Income tax

In accordance with the asset recognition criteria IAS 38 Intangible Assets the Company's R&D cost do not qualify as assets. As of 31 December 2013 the Company had capitalised R&D costs both for accounting and tax purposes.

The Company has a tax loss of NOKm 63 in 2014, and in total a tax loss carried forward as of 31 December 2014 of NOKm 73. There are no timing restrictions on carrying forward the tax loss, and it can be carried forward indefinitely.

The deferred tax asset has not been recognised in the statement of financial position, as the Company does not consider that taxable income in the short-term will sufficiently support the use of a deferred tax asst.

	2014	2013
Pre-tax profit	**-57 780**	**-38 973**
Income taxes calculated at 27% (2014)/28% (2013)	-15 601	-10 523
Adjustment in respect of current income tax of previous years	-	-
Changes in unrecognised deferred tax asset	-	-
Non deductible expenses	-1 947	- 92
Non-taxable income	-	-
Change in temporary differences	-	-
Effect of change in tax rate	-	-
Change in deferred tax asset not recognized	17 548	10 615
Tax expense	**-**	**-**
Income tax expense reported in income statement	-	-
Tax expense attributable to discontinued operation	-	-
Income tax expense	**-**	**-**

Deferred tax and deferred tax assets

	2014	2013
Deferred tax assets		
Pensions	-4 464	-1 957
Tax losses carried forward	-72 750	-8 972
Property, plant and equipment	-81 597	-81 639
Inventory	-	-2 305
Other	-1 285	- 231
Deferred tax asset not recognized	160 096	95 104
Deferred tax assets - gross	**-**	**-**

Note 13 – Other operating expenses

	2014	2013
Program expenses	30 868	21 666
Office rent and expenses	1 007	670
Consultants R&D projects	5 688	4 605
Patent and licence expenses	5 538	1 726
Other operating expenses	4 512	2 444
Government grants	-7 364	-4 456
Total	**40 249**	**26 655**

Specification auditor's fee

	2014	2013
Statutory audit	90	65
Other assurance services	34	13
Other non-assurance services	-	-
Tax consultant services	8	7
Total	**132**	**85**

Note 14 – Earnings per share

	2014	2013
Loss for the year	-57 780	-38 973
Average number of outstanding shares during the year	178 641	94 632
Earnings (loss) per share - basic and diluted (NOK)	**-323,44**	**-411,83**

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 15 – Other current assets

	2014	2013
Government grants	8 255	4 319
Refundable VAT	718	595
Pepaid expenses	150	63
Other receivables	2	2
Total	**9 124**	**4 979**

Note 16 – Cash and cash equivalents

	2014	2013
Employee withholding tax	513	475
Deposits	21	20
Short-term bank deposits	125 824	11 617
Total	**126 357**	**12 113**

Of the total balance in cash and cash equivalents, NOKm 0.5 (2013: NOKm 0.5) relates to restricted funds for employee withholding taxes.

The Company's short-term bank deposits are on variable rate terms.

Note 17 – Convertible loan

The Company has entered into a convertible loan agreement with Wellcome Trust Limited (“Wellcome”) under which Wellcome has granted to the Company an unsecured convertible loan in the amount of GBP 1,605,000. Wellcome may at its discretion require repayment or issuance of new shares at a discounted price to be determined based on future incidents. The first tranche of the loan amounting to GBP 746,000 was received in October 2014. In December 2014 this tranche was converted to 5,741 new shares in the Company.

The convertible loan is treated as a financial liability consisting of a loan and an embedded derivative. As the number of equity instruments required to settle is not fixed the derivative does not fulfil the requirements of an equity instrument, and is therefore a financial liability rather than an equity component.

On issuance of the convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. A market based interest rate of 8% has been used. This amount is classified as a financial liability measured at amortised cost until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised as a derivate liability.

As of 31 December 2014 there is no outstanding convertible loan as the first tranche has been converted to equity. The Company triggers a tranche payment from Wellcome Trust by issuing a draw down notice.

The second tranche of the loan is dependant upon achieving defined project milestones in 2015, and the second tranche is expected to be received in Q2 2015.

Note 18 – Share capital and shareholder information

The Company has one class of shares and all shares carry equal voting rights.

As of 31 December	Number of shares	Nominal value (NOK)	Book value (NOK)
Ordinary shares 2014	241 518	10	2 415 180
Ordinary shares 2013	112 297	10	1 122 970

Changes in the outstanding number of shares

	2014	2013
Ordinary shares at 1 January	112 297	76 967
Issue of ordinary shares	123 480	35 330
Issue of ordinary shares from conversion of loan	5 741	-
Ordinary shares at 31 December	**241 518**	**112 297**

Ownership structure

Shareholder	Number of shares	Percentage share of total shares
INVESTINOR AS	61 932	25,6%
METEVA AS	56 296	23,3%
SARSIA SEED AS	21 179	8,8%
NORSK INNOVASJONSKAPITAL II AS	13 331	5,5%
DATUM AS	12 492	5,2%
MP PENSJON PK	12 403	5,1%
SARSIA DEVELOPMENT AS	11 950	4,9%
PAKTUM / BJØRGVIN	6 246	2,6%
J.P. MORGAN CHASE BANK N.A. LONDON	5 741	2,4%
BIRK VENTURE AS	5 585	2,3%
CB INVEST AS	5 557	2,3%
SPAR KAPITAL INVESTOR AS	3 350	1,4%
RO INVEST AS	2 609	1,1%
MICKLEM DAVID ROBERT	2 525	1,0%
LORENS JAMES BRADLEY	2 500	1,0%
UNI RESEARCH AS	2 077	0,9%
GNIST HOLDING AS	1 589	0,7%
PROFOND AS	1 390	0,6%
HAWI INVEST AS	1 354	0,6%
VENTOR	1 073	0,4%
Top 20 shareholders	**231 179**	**95,7%**
Total other shareholders	10 339	4,3%
Total number of shares	**241 518**	**100,0%**

The Board of Directors have been granted a mandate from the general meeting held on 19 June 2014 to issue 24,000 new shares, each with a nominal value of NOK 10. The power of attorney was granted for the purpose of issuance of new shares in accordance with the Company´s share incentive programme and is valid until 19 June 2016.

Shares in the Company held by the management group

	Current position within the Company	Employed since	2014	2013
Richard Godfrey 1)	Chief Executive Officer	January 2009	1 589	1 500
David Robert Micklem	Director of Diagnostics & Biomarkers	November 2008	2 525	2 525
James Bradley Lorens	Chief Scientific Officer	January 2009	2 500	2 500
Total shares held by management			**6 614**	**6 525**

1) Richard Godfrey holds 1589 shares in the Company through Gnist Holding AS.

Shares in the Company held by members of the Board of Directors

	Position	Served since	2014	2013
Susan Elizabeth Foden	Chairman	September 2011	67	-
John Barrie Ward	Board Member	June 2013	45	-
David Ian Wilson	Board Member	January 2014	44	-
Kåre Rommetveit	Board Member	July 2014	170	-
Total shares held by members of the Board of Directors			**326**	**-**

Note 19 – Other current liabilities

	2014	2013
Unpaid duties and charges	940	878
Unpaid vacation pay	1 289	976
Other accrued costs	2 038	364
Total	**4 266**	**2 218**

Note 20 – Provisions

	Social security contributions on share options	Total
Balance at 1 January 2014	231	231
Additional provisions recognised	1 053	1 053
Balance at 31 December 2014	**1 285**	**1 285**
Current	1 053	**1 053**
Non-current	-	**-**

The provision for social security contributions on share options is calculated based on the number of options outstanding at the reporting date that are expected to be exercised. The provision is based on market price of the shares at the reporting date as the best estimate of market price at the date of exercise.

Note 21 – Financial instruments and risk management objectives and policies

The Company's activities are exposed to certain financial risks including foreign exchange risk, credit risk and liquidity risk. The risk is however of such character that the Company has chosen not to put in place any measures to mitigate the potential unpredictability of the financial markets. The Company has NOKm 126.4 in cash and cash equivalents at year-end. The main purpose of this is to finance the Company's activities and on-going clinical trials. The Company has various assets and liabilities such as receivables and trade payables, which originate directly from its operations. All financial assets and liabilities are carried at amortized cost. All financial assets and liabilities are short-term in nature and their carrying value approximates fair value.

The Company does currently not use financial derivatives.

Foreign currency risk

The value of non-Norwegian currency denominated revenues and costs will be affected by changes in currency exchange rates or exchange control regulations. The Company undertakes various transactions in foreign currencies and is consequently exposed to fluctuations in exchange rates. The exposure arises largely from research expenses. The Company is mainly exposed to fluctuations in euro (EUR), pounds sterling (GBP) and US dollar (USD).

The Company has chosen not to hedge its operational performance as the Company's cash flow is denominated in several currencies that changes depending on where clinical trials are run. The foreign currency exposure is also mostly linked to trade payables with short payment terms. The Company might consider changing its current risk management of foreign exchange rate if it deems it necessary.

Interest rate risk

The Company holds NOKm 126.4 in cash and cash equivalents and does not have any borrowings. The Company's interest rate risk is therefore in the rate of return of its cash on hand. Bank deposits are exposed to market fluctuations in interest rates, which affect the financial income and the return on cash. The Company had NOKm 1.5 in interest income as of 31 December 2014.

Credit risk

Credit risk is the risk of counterparty's default in a financial asset, liability or customer contract, giving a financial loss. The Company's receivables are generally limited to receivables from public authorities by way of government grants. The credit risk generated from financial assets in the Company is limited since it is cash deposits. The Company only places its cash in bank deposits in recognised financial institutions to limit its credit risk exposure.

The Company has not suffered any loss on receivables during 2014 and the Company considers its credit risk as low.

Liquidity risk

Liquidity is monitored on a continual basis by Company management. Management considers the Company's liquidity situation to be satisfactory. The Company raised NOKm 90 in a private placement in November 2014 and NOKm 75 in January 2014. The available cash should support the execution of main R&D and pre-commercialization strategy until the second quarter of 2016. The cash position of the Company at year-end 2014 was NOKm 126.4, compared to NOKm 12.1 in 2013.

Capital management

The Board of Directors' goal is to maintain a strong capital base in order to preserve the confidence of investors, creditors and to develop business activities.

Note 22 – Transition to IFRS

These are the Company's first financial statements prepared in accordance with IFRS. The accounting principles described in note 2 have been used in the preparation of the Company's financial statements for the year ended 31 December 2014, for the comparative figures for the year ended 31 December 2013 and in the preparation of the IFRS opening statement of financial position as at 1 January 2013. The date of transition to IFRS from Norwegian generally accepted accounting principles for small companies (NGAAP) is 1 January 2013.

Reconciliation of Statement of financial position

	1 January 2013				31 December 2013			
	NGAAP	Reclassification	Implementation effects	IFRS	NGAAP	Reclassification	Implementation effects	IFRS
ASSETS								
Non-current assets								
Property, plant and equipment	342	-	-	342	719	-	-	719
Intangible assets	43 838	-	-43 838	-	75 379	-	-75 379	-
Total non-current assets	**44 180**	**-**	**-43 838**	**342**	**76 098**	**-**	**-75 379**	**719**
Current assets								
Inventories	-	-	-	-	2 306	-	-2 306	-
Other current assets	5 324	-	-	5 324	4 979	-	-	4 979
Cash and cash equivalents	12 088	-	-	12 088	12 113	-	-	12 113
Total current assets	**17 412**	**-**	**-**	**17 412**	**19 397**	**-**	**-2 306**	**17 092**
TOTAL ASSETS	**61 592**	**-**	**-43 838**	**17 754**	**95 496**	**-**	**-77 685**	**17 811**
EQUITY AND LIABILITIES								
Equity								
Paid in capital								
Share capital	770	-	-	770	1 123	-	-	1 123
Share premium	57 350	-	-49 369	7 980	90 797	-	-84 632	6 165
Other paid in capital	-	-	3 373	3 373	-	-	4 759	4 759
Total paid in capital	**58 119**	**-**	**-45 996**	**12 123**	**91 920**	**-**	**-79 873**	**12 047**
Total equity	**58 119**	**-**	**-45 996**	**12 123**	**91 920**	**-**	**-79 873**	**12 047**
Non-current liabilities								
Pension liability	-	-	1 932	1 932	-	-	1 957	1 957
Total non-current liabilities	**-**	**-**	**1 932**	**1 932**	**-**	**-**	**1 957**	**1 957**
Current liabilities								
Accounts payable	1 746	-	-	1 746	1 358	-	-	1 358
Public duties payable	591	- 591	-	-	878	- 878	-	-
Other current liabilities	1 135	591	-	1 726	1 340	878	-	2 218
Provisions	-	-	227	227	-	-	231	231
Total current liabilities	**3 473**	**-**	**227**	**3 699**	**3 576**	**-**	**231**	**3 807**
Total liabilities	**3 473**	**-**	**2 159**	**5 631**	**3 576**	**-**	**2 188**	**5 764**
TOTAL EQUITY AND LIABILITIES	**61 592**	**-**	**-43 838**	**17 754**	**95 496**	**-**	**-77 685**	**17 811**

Reclassification

Reclassifications are management determined and do not entail differences in accounting principles between NGAAP and IFRS. Based on a decision to present public duties payable as one line item with other current liabilities NOKm 0.6 was been reclassified as of 1 January 2013 and NOKm 0.9 as of 31 December 2013.

Implementation effects

Under NGAAP the Company has recognised development costs as an intangible asset. In the transition to IFRS the development costs have been considered not to meet the asset recognition criteria of IAS 38 Intangible Assets. 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. Consequently, the Company has an effect of implementing IFRS of NOKm 43.9 as of 1 January 2013 and NOKm 75.4 as at 31 December 2013 towards intangible assets. The effects have been recognised in full against the share premium.

The Company has under NGAAP recognised inventory of drugs produced for the clinical trials. As these are tightly linked to the Company's development costs they are considered not to be recognised as an asset under the transition to IFRS. Consequently, and adjustment of NOKm 2.3 as of 31 December 2013 is made.

Under the exemption for small companies under NGAAP share-based payments have previously not been recognised. Under IFRS NOKm 3.4 has been recognised as at 1 January 2013 and NOKm 4.8 as of 31 December 2013 as an effect of implementing IFRS 2 Share-based payments. In addition a provision for social security contributions on the share options of is an IFRS implementation effect of NOKm 0.2 as at 1 January 2013 and NOKm 0.2 as at 31 December 2013. The total effects of NOKm 3.6 as at 1 January 2013 and NOKm 5.0 as at 31 December 2013 impact the share premium, but the total equity effect is 0.

Under the exemption for small companies under NGAAP pension liabilities have previously not been recognised. Under IFRS, pension liabilities are recognised on an actuarial basis. NOKm 1.9 has been recognised as at 1 January 2013 and NOKm 2.0 as of 31 December 2013. The pension liability has been recognised in full against share premium as an effect of implementing IFRS.

Reconciliation of Statement of profit or loss and other comprehensive income

	Year ended 31 December 2013			
	NGAAP	Reclassification	Implementation effects	IFRS
Revenue	**7 357**	**-7 357**	**-**	**-**
Employee benefit expenses	-4 956	4 143	-9 071	-9 884
Depreciation and amortisation	-1 264	-	1 155	- 109
Other operating expenses	-4 828	3 213	-27 346	-28 961
Operating profit	**-3 691**	**-**	**-35 263**	**-38 953**
Finance income	640	-	-	640
Finance expense	- 660	-	-	- 660
Profit before tax	**-3 710**	**-**	**-35 263**	**-38 973**
Income tax expense	-	-	-	-
Profit after tax	**-3 710**	**-**	**-35 263**	**-38 973**
Other comprehensive income				
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-3 710**	**-**	**-35 263**	**-38 973**

Reclassification

Reclassifications are management determined and do not entail differences in accounting principles between NGAAP and IFRS. Government grants can both after NGAAP and IFRS be treated as either revenue or a reduction of the related expense. In the implementation of IFRS management has determined to classify this as a a reduction of related expense.

Implementation effects

Under NGAAP the Company has recognised development costs as an intangible asset in part as a reduction of employee benefit and in part as other operating expenses. For the year ending 31 December 2013 NOKm 7.7 was under NGAAP recognised as a reduction of employee benefit expenses. In the IFRS accounts this has been recognised as an expense.

Share-based payments were recognised as an employee benefit expense at NOKm 1.4, with a corresponding amount recognised as equity through other paid in capital. The corresponding social security contributions on the share-based payment of NOK 4.671 is presented as an employee benefit expense.

Under the exemption for small companies under NGAAP pension liabilities have previously not been recognised, and the pension cost is equal to payments to the insurance company. Under IFRS, pension liabilities are

recognised on an actuarial basis, and further this has resulted in a reduction of employee benefit expenses by NOKm 0.02 in 2013. In the implementation of IFRS 19 there is not calculated an actuarial charge to other comprehensive income due to similar assumptions for both 1 January 2013 and 31 December 2013, the assumptions are based on the recommendation from NASB (The Norwegian Accounting Standards Board) as of 31 December 2013.

Under NGAAP the Company recognised NOKm 1.2 as depreciation, amortisation and write-down on intangible assets. In the IFRS this expense has not been recognised as the intangible assets are not recognised.

Under NGAAP the Company has recognised NOKm 23.3 as a reduction of development costs for intangible asset as other operating expenses. In the IFRS accounts this has been recognised as an expense. In addition to the development costs patents and licenses of NOKm 1.7 have been recognised as an intangible asset, in the IFRS accounts this has been recognised as an expense.

Expenses related to the production of the drug BGB324 has been expensed by NOKm 2.3 as other operating expenses.

Impact on cash flows

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

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To the Annual Shareholders' Meeting of
BerGenBio AS

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of BerGenBio AS, which comprise the statement of financial position as at 31 December 2014, the statements of comprehensive income, cash flows and changes in equity for the year then ended, a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements of BerGenBio AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Bergen, 1 June 2015
ERNST & YOUNG AS

Jørn Knutsen
State Authorised Public Accountant (Norway)

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