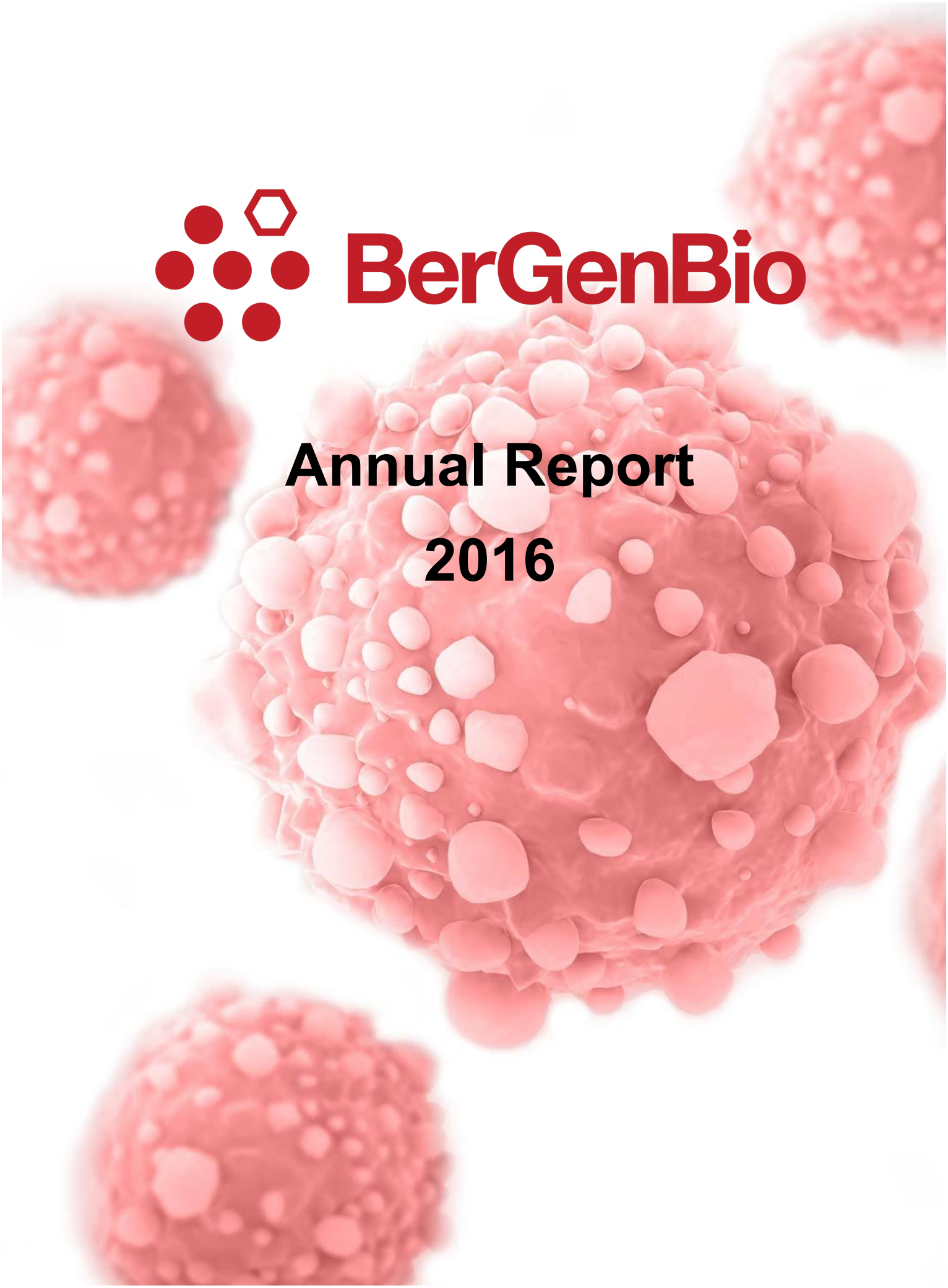


BerGenBio

Annual Report

2016

Table of contents

Board of Directors report 2016

A year with significant progress

2016 has been an important year for BerGenBio, with clinical data being presented at key conferences and new funds raised to finance the progress of the Company's pipeline of innovative drug candidates through on-going clinical trials.

BerGenBio's lead candidate, BGB324, is a potentially first-in-class, highly selective, potent and orally bio-available small molecule AXL inhibitor, currently in Phase II clinical development in two major cancer indications. BGB324 is being developed by BerGenBio as a single agent therapy in acute myeloid leukaemia (AML) and in combination with Tarceva® erlotinib in advanced non-small-cell lung cancer (NSCLC).

BerGenBio secured funding of NOK 212 million (c. $25 million) in February in a private placement from existing shareholders, including Investinor AS and Meteva AS. This private placement demonstrates the continued support from our shareholders and their confidence in the Company's strategy to develop first-in-class drugs for aggressive cancers exploiting our leadership in understanding the role of Axl in driving the biology of aggressive cancers.

The Company has presented data on BGB324 at several prestigious conferences during 2016: The American Association of Cancer Research (AACR) Annual Meeting (New Orleans, LA), the American Society of Clinical Oncology (ASCO) Annual Meeting (Chicago, IL) CRI-CIMT-EATI-AACR – The 2nd International Cancer Immunotherapy Conference (New York, NY), EORTC-NCI-AACR Molecular Targets and Cancer Therapeutics Symposium Meeting (Munich, Germany), the 58th ASH Annual Meeting & Exposition (San Diego, CA) and the San Antonio Breast Cancer Conference (San Antonio, TX).

In March 2017, BerGenBio announced it has entered into a collaborative agreement with Merck & Co. focused on the clinical evaluation of BGB324 in combination with Merck's marketed checkpoint inhibitor Keytruda® in patients with advanced NSCLC and women with triple negative breast cancer (TNBC).

BerGenBio is well-funded, confident in its ability to progress BGB324 through clinical trials and to maintain the development of its pipeline of innovative cancer therapeutics.

In early 2017 the Company initiated a process to secure funding for the next phase of the its development. It is proposed to increase the share capital through an Initial Public Offering and apply for a listing of BerGenBio's shares on Oslo Børs.

Overview of the business

Business and location

BerGenBio is a clinical stage oncology biotech company with a diversified pipeline of first-in-class therapeutics against novel drugs targets that drive aggressive cancers. The Company is focused on the development and commercialisation of novel targeted therapeutics in oncology.

The company is a world leader in Axl biology, which has enabled BerGenBio to establish international partnerships with world class biopharmaceutical companies.

BerGenBio has a portfolio of patents granted and pending covering the Company's product portfolio.

The company had 26 employees at year-end 2016 and is headquartered in Bergen, Norway with research and administrative resources. Clinical development resources are located in Oxford, UK.

Products and market potential

The main focus of BerGenBio is the clinical development of BGB324, a potentially first-in-class, highly selective, potent and orally bioavailable available small molecule AXL kinase inhibitor, which is in clinical development as a novel treatment for a variety of cancers. Upregulation of AXL kinase is a key driver of cancer spread, immune evasion and drug resistance – the cause of approximately 90 percent of cancer deaths.

BerGenBio is investigating BGB324 in multiple cancer indications including in Phase II studies as a single agent in relapsed Acute Myeloid Leukemia (AML) and myeloid dysplastic syndrome (MDS), in combination with erlotinib (Tarceva®) in advanced EGFR-mutation activated Non Small Lung Cancer (NSCLC).

Both small molecule and antibody drug candidates are being developed by BerGenBio to inhibit EMT targets and these will be progressed through clinical trials.

BGB324

The lead anti-cancer drug candidate BGB324 is a first-in-class highly selective small molecule inhibitor of the Axl receptor tyrosine kinase and the only selective Axl inhibitor undergoing clinical trials. The product has blockbuster potential.

BGB324 is currently in Phase II trials with no delays expected, although no assurance can be given that no such delays may occur. Typically, if trials are delayed, the main consequences are delayed clinical results and postponed trial expenses.

BGB324 also has the potential to treat a range of other cancers. The Company is exploring these in smaller clinical trials sponsored by clinical investigators, these studies will support a better understand of the therapeutic potential and wider clinical utility.

The Company aims to discover and develop novel medicines to treat aggressive cancers, which represent a significant high unmet medical need. The Company intends to further develop and commercialise, either alone or in collaboration with a partner, its lead product BGB324 through to marketing approval in a well defined Axl-positive cancer patient population in need of new treatment options.

Encouraging clinical data has been reported; BGB324 has potential as stand-alone and combination therapy for patients with multiple cancer indications. There is also potential for breakthrough designation and accelerated regulatory path to approval.

Biomarkers

The company is also developing biomarkers and companion diagnostic tests, with the objective to have proprietary tools to identify cancer patients with Axl-positive-tumours who are more likely to respond to treatment with BGB324. This personalised medicine strategy could reduce the number of patients required in clinical trials, reduce costs and speed of the trials. This could also improve the likihood for accelerated approval and ultimately attract superior reimbursement rates.

Strategy

BerGenBio's strategy is to discover and develop novel medicines to treat aggressive cancers, which represent a significantly high unmet medical need. The Company intends, either alone or in collaboration with a partner, to develop and commercialise its lead product BGB324 through to marketing approval

The Company aims to develop a pipeline of novel first-in-class drugs that inhibit EMT. The key focus of the company is the clinical development of BGB324, a potentially first-in-class, selective, potent and orally bioavailable small molecule AXL kinase inhibitor, which is in clinical development as a novel treatment for a variety of cancers.

The strategy requires that the Company focuses on investigating BGB324 in multiple cancer indications including the ongoing Phase II studies as a single agent in relapsed AML and myeloid dysplastic syndrome (MDS), in combination with erlotinib (Tarceva®) in advanced EGFR-mutation activated NSCLC and soon to start two collaborative phase II studies with Merck & Co. These will be in patients with advanced NSCLC and triple negative breast cancer (TNBC) using BGB324 in combination with Keytruda® (pembrolizumab). The strategy also includes efforts to develop biomarkers and companion diagnostics to enrich the patient population in furture trails and ultimately to direct treatement choices once BGB324 is an approved medicine.

Operational review

Clinical update on BGB324

BGB324 is currently being evaluated in a multi-centre Phase Ib/II trial (BGBC003) in patients with AML and myelodysplastic syndrome (MDS); and in a multi-centre open label Phase II trial (BGBC004) in patients with Stage IIIb and Stage IV NSCLC in erlotinib-sensitive and refractory patients who have an activating EGFR mutation

In June, the Company presented first-in-patient Phase I data for BGB324 in patients with myeloid malignancies at ASCO. Dr Sonja Loges, attending oncologist at the University Medical Center Hamburg-Eppendorf, presented a poster entitled: “A first-in-patient phase 1 study of BGB324, a selective Axl kinase inhibitor in patients with refractory/relapsed AML and high-risk MDS.”

In this dose escalation study, 20 patients with AML and four patients with MDS were treated; seven patients were still on treatment at the time. The data demonstrated promising clinical activity, biologic activity, tolerability, and durability as BGB324 was safely administered to patients for prolonged periods at doses that inhibit AXL activation and exhibit anti-leukaemic activity. This data suggest that BGB324 could therefore be a potential future treatment option for patients with AML and MDS.

The Phase Ib trial of BGB324 alone and in combination with erlotinib in NSCLC (BGBC004) was started and completed during the year.

In November, clinical data from the NSCLC trial was presented at the 28th EORTC-NCI-AACR Molecular Targets and Cancer Therapeutics Symposium Meeting. Dr. Lauren Byers, Assistant Professor in the Department of Thoracic/Head and Neck Medical Oncology at The University of Texas MD Anderson Cancer Center in Houston, presented a poster entitled: “A Phase I/II and pharmacokinetic study of BGB324, a selective Axl inhibitor as monotherapy and in combination with erlotinib in patients with advanced NSCLC” (Abstract number: 36). The data demonstrated that BGB324 can be safely administered to patients with advanced NSCLC at doses that achieve durable disease control. The demonstrated tolerability and clinical activity indicate a unique mechanism-of-action of BGB324 in patients with NSCLC.

Following this promising monotherapy data, BerGenBio is now analysing the effects of BGB324 in combination with erlotinib in patients with EGFR-driven NSCLC and expects to present the results before the end of 2017.

In December, two presentations of clinical and biological data from a Phase I trial of BGB324 in AML patients were given at the 58th ASH annual meeting.

The oral presentation at ASH entitled: “BGB324, an orally available selective Axl inhibitor exerts anti-leukaemic activity in the first-in-patient trial BGBC003 and induces unique changes in biomarker profiles” (Paper 0592) reported clinical and biological data demonstrating the impact of BGB324 on the AXL signalling pathway in leukaemic blast cells. Data presented showed BGB324 is well tolerated in AML patients and exhibits anti-leukemic activity. Furthermore, BGB324 induced a diversification of the T-cell repertoire in AML patients highlighting its potential as an immune-activating drug. Furthermore, an analysis of the diversification of patients’ T-cell lymphocyte repertoires illustrated that BGB324 amplified the immune response in a proportion of patients.

The second presentation at ASH (Paper 3995) showed the effect of BGB324 on intracellular signalling and the immune profile of leukemic blasts in patients treated in the clinical study. Analyses of blood samples from six patients showed rapid changes in signalling pathways downstream of AXL. In most patients, the CD117+/CD34- blast population appeared more responsive to treatment, and this cell population decreased during treatment with BGB324, suggesting that AXL inhibition may push leukaemic blasts towards differentiation.

Preclinical update: Strong rationale for combining BGB324 with checkpoint inhibition to improve cancer treatment

During 2016, BerGenBio presented preclinical data at three international conferences that continue to highlight the potential of combining BGB324 with immune checkpoint inhibitors (CPIs) to improve cancer treatment

In April, BerGenBio presented preclinical data in a poster at AACR demonstrating that selective inhibition of AXL signalling with BGB324 significantly enhanced responsiveness to immune checkpoint blockade in syngeneic mammary and lung cancer mouse models. The combination of BGB324 with immune CPIs anti-CTLA-4, anti-PD-1 and anti-PD-L1 demonstrated increased infiltration of cytotoxic T lymphocytes and natural killer cells, as well as significantly improving anti-tumor responses.

Building on this encouraging data, BerGenBio presented preclinical study data at CRI-CIMT-EATI-AACR in September. The study evaluated whether BGB324 used in combination with immune CPIs (anti-CTLA-4 and anti-PD-1) in mouse carcinoma models enhanced the effect of immune checkpoint blockade in aggressive adenocarcinomas displaying limited immunogenicity. The study showed that treatment with immune CPIs induced AXL expression in tumors, which therefore could limit their efficacy. Treatment with BGB2324 counters this, increasing tumor immunogenicity and promoting the anti-tumor response.

In December, a poster presented at the San Antonio Breast Cancer Symposium described how AXL-targeting with BGB324 enhanced the effect of immune checkpoint blockade in aggressive mammary adenocarcinomas that display limited immunogenicity. The combination of BGB324 and CTLA-4/ PD-1 inhibitors resulted in durable primary tumor clearance and sustained tumor immunity in breast cancer models.

The results from these studies together strengthen the rationale that BGB324 combined with immune CPIs has the potential to improve treatment of aggressive cancers.

Intellectual property

BerGenBio has a portfolio of patents granted and pending covering the Company's product portfolio.

The Company is diligent in protecting all IP it develops that is regarded to be of significant importance to its business. This includes technologies, discoveries, inventions, data and methods. Protection of proprietary rights includes seeking and maintaining patent protection intended to cover the composition of matter and use for the Company's drug candidates and back up series. Intellectual property rights (patents) are filed and prosecuted and maintained worldwide including all major pharmaceutical markets.

Funding to support progress through clinical trials

BerGenBio had a strong start to 2016 by securing funding of NOK 212 million (c. $25 million) in a private placement from existing shareholders in February.

The money raised from shareholders, including Investinor AS and Meteva AS, will primarily be used to progress the development of pipeline of innovative cancer therapeutics, in particular, lead asset BGB324.

This private placement demonstrates the continued support from the shareholders and their confidence in the Company's strategy to develop first-in-class drugs for aggressive cancers using BerGenBio's world leading understanding of EMT.

Changes to the Board of Directors and executive management

Hilde Furberg was appointed as Chair of the Board of Directors in February 2016, having previously been a Non-Executive Director since June 2015. Prior Chair, Susan Foden stepped down from the role and remains a Non-Executive Director of the Company.

Non-Executive Directors John Barrie Ward and David Wilson stepped down from the Board and Stein H. Annexstad, Kari Grønås and Sveinung Hole were appointed as new Non-Executive Directors.

See also "Subsequent events" below.

Financial review

Accounting policies

The financial statements of BerGenBio ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU on 31 December 2016.

(Figures in brackets refer to the corresponding period or balance date in 2015, unless otherwise specified)

Income statement

Operating revenues

BerGenBio did not have any operating revenues in 2016 or 2015.

Operating expenses

Net operating expenses for the year amounted to NOK 131.6 million (NOK 72.9 million). The cost increase was driven by the acceleration of the development programs, preparations for new clinical trials and milestone and licence payments to Rigel Pharmaceuticals. The operating loss for BerGenBio amounted to NOK 131.6 million (NOK 72.9 million).

Net financial items

Net financial income amounted to NOK 1.8 million (NOK 0.8 million). Interest income from ordinary bank deposits came to NOK 1.5 million (NOK 1.5 million).

Net result

Losses after tax for the year were NOK 129.8 million (NOK 72.1 million). The loss is proposed allocated from the share premium.

Comprehensive income

Total comprehensive loss for the year attributable to owners of BerGenBio was NOK 130.9 million (NOK 71.7 million). Earnings per share amounted to NOK -420 in 2016 compared to NOK -296 in 2015.

Financial position

Assets

Property, plant and equipment at year end amounted to NOK 0.4 million (NOK 0.4 million).

Cash and cash equivalents were NOK 161.8 million (NOK 74.0 million). The change reflects the equity issue combined with the funding of increased operational activity level.

Total assets by year end 2016 increased to NOK 174.5 million (NOK 82.4 million), mainly due to the equity issue in February and June, generating proceeds of NOK 212 million.

Equity and liabilities

Total equity as of 31 December 2016 was NOK 153.3 million (NOK 64.7 million), corresponding to an equity ratio of 87.8 per cent (78.6 per cent).

The company completed a share issue in February, which together with the exercise of the subscription rights by Meteva AS and Investinor AS generated gross proceeds of NOK 212 million.

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

Total liabilities were NOK 21.3 million (NOK 17.6 million), the increase driven primarily by higher accounts payable and provisions, partly offset by the impact from change in pension scheme and conversion of a convertible loan to equity.

Cash flow

Net cash flow from operating activities was negative NOK 124.3 million for the year (NOK 62.9 million), mainly driven by research and development activities.

Net cash flow used in investing activities during the year was NOK 0.3 million (NOK 0.0 million).

Net cash flow from financing activities was NOK 212.4 million (NOK 10.5 million), reflecting the share issue in February, conversion of the last tranche of the Wellcome Trust convertible loan to equity and the capital raise following the exercise of the subscription rights.

Cash and cash equivalents increased to NOK 161.8 million (NOK 74.0 million) by year end 2016.

Research and development

While the research and development strategy is designed in-house in BerGenBio, the Company leverages its network of external contract research organisations ("CROs") in order to execute its development strategy. BerGenBio also collaborates with academic institutions to extend the research in areas of interest of the Company.

The Company has employed experienced personnel that are capable of directing work that is performed by the CROs. This approach to product development allows the Company to quickly change research directions and efforts when needed and to quickly bring in new technologies and expertise when necessary.

Uncertainties related to the regulatory approval process and results from ongoing clinical trials generally indicate that the criteria for capitalisation of R&D cost are not met until market authorisation 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 2016 were NOK 101.9 million, whereas NOK 98.2 million were classified as other operating expenses and NOK 3.8 million were classified as payroll.

Financial risks

Interest rate risk

The Company holds NOK 161.8 million (NOK 74.0 million) 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 NOK 1.5 million (NOK 1.5 million) in interest income as of 31 December 2016.

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 the clinical trials and 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 2016 and the Company considers its credit risk as low.

Liquidity risk

Liquidity is monitored on a continual basis by Company management. The Company works continuously to ensure financial flexibility in the short and long term to achieve its strategic and operational objectives. Management considers the Company's liquidity situation to be satisfactory. The Company secured equity funding of NOK 212 million in February 2016. The cash position of the Company at year-end 2016 was NOK 161.8 million (NOK 74.0 million).

Capital markets are used as a source of equity financing when this is appropriate and when conditions in these markets are acceptable. The Board is considering 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 funding to maintain operational activity for the foreseeable future.

Non-financial risks

Technology risk

The Company's lead product candidate BGB324 is currently in Phase II 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 sector with many large players and is subject to rapid and substantial technological change.

Market risks

The financial success of the Company requires obtaining marketing authorisation and achieving an acceptable reimbursement price for its drugs. There can be no guarantee that the Company's drugs will obtain the selling prices or reimbursement rates 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 worldwide jurisdictions to commercialise in those regions. The Company's future earnings are likely to be largely dependent on the timely marketing authorisation of BGB324 for various indications.

Going concern

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.

Subsequent events

New chair of the board

Mr Stein Annexstad was elected new chair of the board at an extraordinary general meeting on 16 January 2017. Prior Chair, Hilde Furberg stepped down from the role and remains a Non-Executive Director of the Company.

Planned IPO

A process has been initiated in 2017 with the intention to increase the share capital through an Initial Public Offering and to apply for a listing of the company's shares on the Oslo Stock Exchange.

The intended listing is expected to take place in the first half of 2017, in connection with a planned share capital issue

The extraordinary general meeting on 16 February 2017 resolved to convert BerGenBio AS from a limited company to a public limited company ("allmennaksjenselskap" or "ASA") named BerGenBio ASA.

Collaboration with Merck to investigate combination of BGB324 with Keytruda®

In March 2017, BerGenBio announced it has entered into a collaborative agreement with Merck focused on the clinical evaluation of BGB324 with Merck's Keytruda® pembrolizumab in patients with advanced NSCLC and women with triple negative breast cancer (TNBC).

Under the terms of the collaboration, BerGenBio will conduct two international Phase II studies to evaluate the potential clinical synergy of combining BGB324 with Keytruda, Merck's marketed anti-PD-1 CPI therapy in patients with (i) previously treated unresectable adenocarcinoma of the lung, and (ii) previously treated, locally advanced or unresectable TNBC.

Biomarker studies will be conducted in parallel to the above studies with the goal of developing companion diagnostics to identify patients who would be most suitable for treatment with the BGB324/Keytruda combination.

The clinical trials will be sponsored by BerGenBio, Merck will provide Keytruda for both studies, the rights to the study results will be shared and there are provisions for further combination studies to be undertaken by either or both companies.

Corporate social responsibility

BerGenBio is subject to corporate social responsibility reporting requirements under section 3-3c of the Norwegian Accounting Act.

The Company is still in a pre-commercial phase, with a strong focus on activities aiming to achieve regulatory approval of its drug candidates. The

implementation of specific goals, strategies or action plans related to CSR has not yet been prioritised but will be developed along with the continuous development of BerGenBio's products and operations.

BerGenBio has mission to create value for patients, society, as well as for the shareholders of the company. To ensure that patients, research and development partners, employees, shareholders and other stakeholders feel confident about BerGenBio's commitment to operate this business in accordance with responsible, ethical and sound corporate and business principles, the company has established ethical guidelines that apply to all employees and board members in the company. By agreement it may also apply to independent consultants, intermediaries or others acting on behalf of BerGenBio. The document provides a framework for what BerGenBio considers as responsible conduct, and defines the individual responsibilities of employees through a combination of broad principles and specific requirements.

The code of conduct is a guiding instrument, outlining the principles on which the everyday work is based.

Health, safety and the environment

At year end, BerGenBio employed 26 people (19 people), of which 3 (2) were part time employed.

The working environment in the Company is considered to be good. No accidents or injuries were registered in 2016.

Absence due to illness for the year totalled 99 working days (25 working days), which corresponds to 1.8 per cent (0.5 per cent) of total working days.

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.

The Board of Directors has 43 per cent female and 57 per cent male representation. There is one woman in the 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.

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.

Share information

As of 31 December 2016, there were 336 922 shares outstanding, up from 247 924 shares at year end 2015, following the share capital issues during the year and the conversion of the convertible loan to equity.

The Company had 65 shareholders at 31 December 2016.

Outlook

BerGenBio has strategic flexibility for value creation with a clear registration strategy and multiple commercialization options: The plan is to complete the ongoing Phase II studies and to progress into registartion trials potentially leading to accelerated approval and subsequent applications for regulatory approval and marketing authorization.

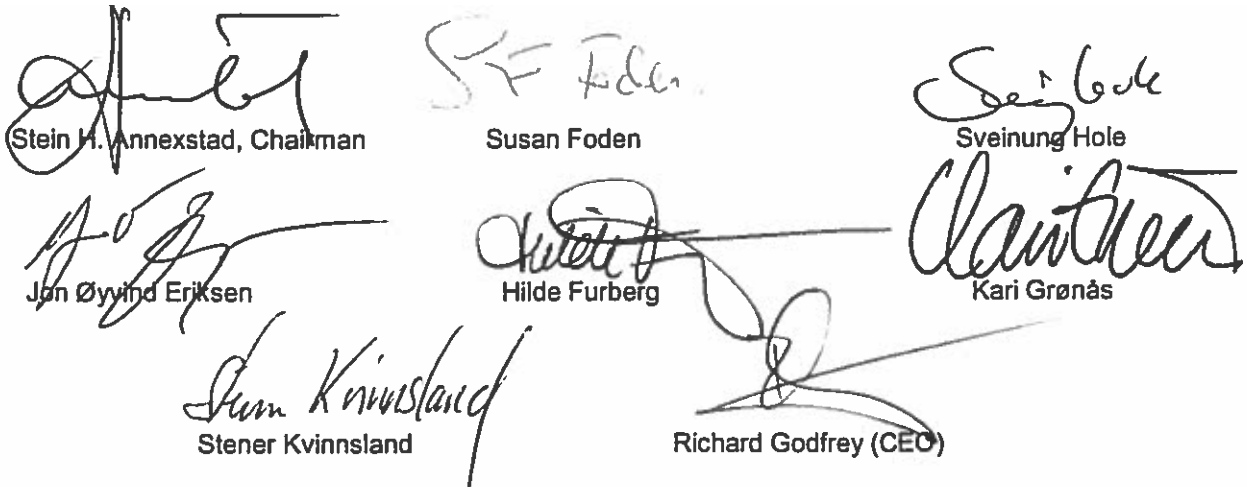
BerGenBio intends to apply for listing of its shares on the Oslo Stock Exchange in 2017. A listing on the Oslo Stock Exchange will provide a regulated market for the shares, facilitate a capital increase to strengthen the working capital of the Company and give the Company improved access to the capital markets for potential future equity funding. It will also diversify and increase the shareholder base, further improve the ability of BerGenBio to attract and retain key management and employees and strengthen BerGenBio's profile with investors and industry.

The listing application will be submitted in connection with an Initial Public Offering. Net proceeds from issuance of new shares in IPO will support the continued clinical development of the Company's lead drug candidate, BGB324; milestone payments to

Rigel Inc., the continued development and first in man clinical trials for the Company's preclinical drug candidate BGB149, and continued development of the pre-clinical pipeline and general corporate purposes.

The listing is expected to take place in the first half of 2017. Net proceeds from the Offering and the existing cash are expected to finance the Company through to 2019.

Bergen, 2 March 2017, The Board of Directors, BerGenBio ASA



Financial statements

Statement of profit or loss and other comprehensive income

1 January - 31 December
(NOK 1000)

	Note	2016	2015
Revenue	4	-	-
Employee benefit expenses	5, 7, 10	20 561	25 160
Depreciation	8	207	179
Other operating expenses	7, 13	110 802	47 586
Total operating expenses		**131 570**	**72 925**
Operating profit		**-131 570**	**-72 925**
Finance income	11	3 031	2 512
Finance expense	11	1 260	1 693
Financial items, net		**1 771**	**818**
Profit before tax		**-129 799**	**-72 107**
Income tax expense	12	-	-
Profit after tax		**-129 799**	**-72 107**
Other comprehensive income			
Items which will not be reclassified over profit and loss			
Actuarial gains and losses on defined benefit pension plans	10	-1 089	443
Total comprehensive income for the year		**-130 888**	**-71 664**
Earnings per share:			
- Basic and diluted per share	14	-419,68	-296,26

.

Statement of financial position

31 December
(NOK 1000)

	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	8	410	361
Total non-current assets		**410**	**361**
Current assets			
Other current assets	15	12 302	8 038
Cash and cash equivalents	16	161 825	73 993
Total current assets		**174 126**	**82 031**
TOTAL ASSETS		**174 536**	**82 392**
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Share capital	18	3 369	2 479
Share premium	18	131 875	49 944
Other paid in capital	6, 18	18 026	12 324
Total paid in capital		**153 270**	**64 747**
Total equity		**153 270**	**64 747**
Non-current liabilities			
Pension liability	10	-	4 273
Convertible loan	17	-	1 119
Derivative financial liablility	17	-	189
Total non-current liabilities		**-**	**5 580**
Current liabilities			
Accounts payable		10 703	5 269
Other current liabilities	19	5 721	5 217
Provisions	20	4 843	1 580
Total current liabilities		**21 266**	**12 065**
Total liabilities		**21 266**	**17 645**
TOTAL EQUITY AND LIABILITIES		**174 536**	**82 392**

Bergen, 2 March 2017, The Board of Directors, BerGenBio ASA

Stein H. Annexstad, Chairman

Susan Foden

Sveinung Hole

Jon Øyvind Eriksen

Hilde Furberg

Kari Grønås

Stener Kvinnsland

Richard Godfrey (CEO)

Statement of changes in equity

(NOK 1000)

	Note	Share capital	Share premium	Equity-settled share-based payments	Total equity
Balance at 1 January 2016		**2 479**	**49 944**	**12 324**	**64 747**
Loss for the year		-	-129 799	-	-129 799
Other comprehensive income (loss) for the year, net of income tax		-	-1 089	-	-1 089
Total comprehensive income for the year		**-**	**-130 888**	**-**	**-130 888**
Recognition of share-based payments	5 ,6	-	-	5 702	5 702
Issue of ordinary shares	18	890	212 819	-	213 709
Share issue costs	18	-	-	-	-
Balance at 31 December 2016		**3 369**	**131 875**	**18 026**	**153 270**

	Note	Share capital	Share premium	Equity-settled share-based payments	Total equity
Balance at 1 January 2015		**2 415**	**112 442**	**6 747**	**121 605**
Loss for the year		-	-72 107	-	-72 107
Other comprehensive income (loss) for the year, net of income tax		-	443	-	443
Total comprehensive income for the year		**-**	**-71 664**	**-**	**-71 664**
Recognition of share-based payments	5 ,6	-	-	5 576	5 576
Issue of ordinary shares	18	64	9 166	-	9 230
Share issue costs	18	-	-	-	-
Balance at 31 December 2015		**2 479**	**49 944**	**12 324**	**64 747**

Statement on cash flow

1 January - 31 December
(NOK 1000)

	Note	2016	2015
Cash flow from operating activities			
Loss before tax		-129 799	-72 107
Non-cash adjustments to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	8	207	179
Calculated interest element on convertible loan	11,17	19	232
Share-based payment expense	5	5 702	5 576
Movement in provisions and pensions	10, 20	-2 099	547
Working capital adjustments:			
Decrease in trade and other receivables and prepayments		-4 263	1 086
Increase in trade and other payables		5 919	1 584
Net cash flow from operating activities		**-124 314**	**-62 902**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	- 255	-
Net cash flow used in investing activities		**- 255**	**-**
Cash flows from financing activities			
Proceeds from issue of share capital	18	212 220	-
Proceeds from borrowings, convertible loan		-1 307	1 307
Conversion of loan by issue of share capital		1 489	9 230
Net cash flow from financing activities		**212 402**	**10 538**
Net increase/(decrease) in cash and cash equvivalents		87 832	-52 365
Cash and cash equivalents at beginning of period	16	73 993	126 357
Cash and cash equivalents at end of period	16	**161 825**	**73 993**

Notes to the Financial Statements

Note 1 – Corporate information

BerGenBio ASA ("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 2016 was approved by the Board of Directors on 2nd March 2017.

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 ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company also provides additional disclosures as required by the Norwegian Accounting Act.

The financial statements have been prepared on a historical cost basis, with exception of certain financial instruments measured at fair value. 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 recognised 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 authorisation 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.

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.

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 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.

The Company's financial liabilities include trade and other payables, and loans and borrowings. These financial instruments are measured at amortised cost using the effective interest rate method.

Derecognition

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

Convertible loan

The Company do not have any convertible loan agreements as per 31.12.16. On issuance of convertible loans, 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.

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 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.

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

As per 1 October 2016, the Company decided to change the defined benefit scheme to a defined contribution scheme. Under the defined contribution scheme, the Company does not commit itself to paying specific future pension benefits, but makes annual contributions to the employees' pension savings. As of 31 December 2016, there are 20 active people covered by the new pension scheme.

The Company's payment to the defined contribution scheme amounts to 7% of salary up to 12G and 18.1% of salary between 7.1G and 12G (G is Norwegian National Insurance basic amount).

Further details about pensions, and the closing of the defined benefit scheme, are given in Note 10.

New and amended standards and interpretations

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

Note that only the ones that is expected to have material impact on the Group's financial position, performance, and/or disclosures is discussed. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a

change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

Other standards, interpretations and amendments that are issued, but not yet effective are either not applicable for the Company or is not expected to have a material impact of the financial statements

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.

Note 4 – Segments

The Company had no revenues in 2016 and 2015.

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

	2016	2015
Salaries	15 937	16 850
Social security tax	5 601	2 500
Pension expense	-3 741	2 001
Bonus	725	1 222
Share option expense employees	5 702	5 576
Other remuneration	536	1 322
Government grants	-4 199	-4 312
Total payroll and related expenses	**20 561**	**25 160**
Average number of full time equivalent employees	21	20

Management remuneration

Total remuneration to management during the year ended 31 December 2016

			Salary	Bonus	Pension cost	Other remuneration
Richard Godfrey (CEO)		A)	1 823 213	432 000	181 098	7 753
Petter Nielsen (CFO)		B)	1 318 814	351 000	143 142	7 753
James B Lorens (CSO)	1)	C)	445 300	189 448	39 067	3 361
Murray Yule (Clinical Development Officer)	2)	D)	371 455	-	-	-
Anthony Brown (Director of Research)		E)	1 334 311	-	93 402	-
Viki Wills (Director of Clinical Operations)	3)		313 300	-	21 931	-
Total remuneration			**5 606 393**	**972 448**	**478 640**	**18 867**

1) Employed part-time in a 20% position.
2) Employed part-time in an 80% position since 1 November 2016. Prior to this Murray Yule has been working as a consultant to BerGenBio through his consulting company Pentlands Oncology Consulting Ltd. In 2016 Pentlands Oncology Consulting Ltd has invoiced BerGenBio NOK 2,342,217.
3) Employed since 3 October 2016

For management participating in the option program, the expense charged to the profit or loss for 2016 is as follows:

A. Richard Godfrey, NOK 1,496,547
B. B) Petter Nielsen, NOK 524,896
C. C) James Lorens, NOK 1,077,119
D. D) Murray Yule, NOK 482,594
E. E) Anthony Brown, NOK 568,054

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 2015

			Salary	Bonus	Pension cost	Other remuneration
Richard Godfrey (CEO)		A)	1 594	-	233	12
Petter Nielsen (CFO)	1)	B)	1 055	-	139	11
James B Lorens (CSO)	2)	C)	456	-	46	3
Total remuneration			**3 105**	**-**	**419**	**27**

1) Employed in a 100% position as of February 2015.
2) Employed part-time in a 20% position.

For management participating in the option program, the expense charged to the profit or loss for 2015 is as follows:

A. Richard Godfrey, NOK 1,840,160
B. Petter Nielsen, NOK 371,489
C. James Lorens, NOK 1,557,015

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

			Served since	Served until	2016	2015
Hilde Furberg		A)	June 2015		283	87
Susan Foden		B)	September 2011		175	338
Jon Øyvind Eriksen			January 2012		147	-
Sveinung Hole	1)	C)	February 2016		147	-
Stener Kvinnsland	2)	D)	September 2015		160	83
Stein Holst Annexstad		E)	February 2016		147	
Kari Grønås		F)	February 2016		147	
John Barrie Ward		G)	June 2012	February 2016	13	160
David Ian Wilson		H)	June 2013	February 2016	12	160
Kåre Rommetveit			June 2014	June 2015	-	60
Total remuneration					**1 231**	**888**

1) Sveinung Hole served as a member of the Board of Directors from June 2010 to June 2015. He was again elected to the Board of Directors in February 2016.
2) Stener Kvinnsland, was appointed to the Board of Directors as of September 2015. Of his remuneration NOK 53,333 relates to his remuneration for being on the Board of Directors. Prior to joining the Board of Directors he was in the Nomination Committee and has received a remuneration of NOK 30,000 for this work.

For members of the Board of Directors participating in the option program, the expense charged to the profit or loss for 2015 (2014) is as follows:

A. Hilde Furberg, NOK 168,523 (2015: 0)
B. Susan Foden, NOK 302,776 (2015: 316,795)
C. Sveinung Hole, NOK 101,115 (2015: 0)
D. Stener Kvinnsland, NOK 101,115 (2015: 0)
E. Stein H. Annexstad, NOK 101,115 (2015: 0)
F. Kari Grønås, NOK 101,115 (2015: 0)
G. John Barrie Ward, NOK 14,132 (2015: NOK 99,637)
H. David Ian Wilson, NOK 14,132 (2015: NOK 99,637)

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
	2 750	22-May-15	22-May-23	1 601,00
	1 000	1-Jan-16	1-Jan-24	2 400,00
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
	2 750	22-May-15	22-May-23	1 601,00
	500	1-Jan-16	1-Jan-24	2 400,00
Petter Nielsen	1 000	22-May-15	22-May-23	1 601,00
	500	1-Jan-16	1-Jan-24	2 400,00
Anthony Brown	1 000	2-Sep-15	2-Sep-23	1 601,00
	500	1-Jan-16	1-Jan-24	2 400,00
Murray Yule	1 000	3-Sep-13	3-Sep-21	1 061,72
	500	1-Jan-16	1-Jan-24	2 400,00
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
	375	1-Feb-16	1-Feb-24	2 400,00
Hilde Furberg	250	1-Feb-16	1-Feb-24	2 400,00
Kari Gønås	150	1-Feb-16	1-Feb-24	2 400,00
Stein H. Annexstad	150	1-Feb-16	1-Feb-24	2 400,00
Stener Kvinnsland	150	1-Feb-16	1-Feb-24	2 400,00
Sveinung Hole	150	1-Feb-16	1-Feb-24	2 400,00
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	**26 225**			

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.

Previously, options vest criterias were set at milestones that were seen as significant for the Company and/or significant to the responsibilty of the employee. There has been 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 criterias. In 2016, the Board of Directors reviewed and amended the vesting criterias for granted options to employees. The revised vesting criteria was set as the earlier of IPO or annually in equal tranches over a three-year period following the date of grant.

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
Granted in May 2015	6 500	May 2015	May 2023	1 601,00
Granted in September 2015	2 600	Sep 2015	Sep 2023	1 601,00
Granted in January 2016	4 000	Jan 2016	Jan 2024	2 400,00
Granted in February 2016	1 225	Feb 2016	Feb 2024	2 400,00
Forfeited in 2015	-75			1 061,72
Forfeited in 2016	-500			1 601,00
Total	**33 250**			

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at 1 January	28 525	1 181,05	19 500	984,62
Granted during the year	5 225	2 400	9 100	1 601
Exercised during the year	-	-	-	-
Forfeited	- 500	1 601	- 75	1 061,72
Balance at 31 December	**33 250**	**1 366,29**	**28 525**	**1 181,05**

The weighted average fair value of the options granted in the period in 2016 is NOK 1,075.77, totalling to NOK 5.7 million, while it for same period in 2015 is NOK 630.71, totalling to NOK 5.7 million.

	2016	2015
Options vested at 1 January	11 426	9 600
Vested in the period	10 693	1 826
Options vested at 31 December	**22 119**	**11 426**
Total outstanding number of options	33 250	28 525
Total intrinsic value at the end of the period (NOK000)	34 371	11 979

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, it has been assumed that the holders will exercise their options earlier as the shares have been assumed 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 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.

For the twelve month period ending 31 December 2016 the value of the share options expensed through the profit or loss amounts to NOK 5.7 million (for the same period in 2015: NOK 5.7 million). In addition a provision for social security contributions on share options of NOK 3.3 million (for the same period in 2015: NOK 0.3 million) is recognised based on the difference between the share price and exercise price on exercisable option as at the end of the period.

Note 7 – Government grants

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

	2016	2015
Payroll and related expenses	4 199	4 312
Other operating expenses	13 575	7 475
Total	**17 774**	**11 787**

Grants receivable as at 31 December are detailed as follows:

	2016	2015
Grants from Research Council, BIA	2 879	2 270
Grants from Research Council, PhD	257	394
Grants from SkatteFunn	7 703	4 145
Total	**10 839**	**6 809**

BIA grants from the Research Council:

The Company has been awarded with three 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 NOK 11.7 million and covers the period from June 2012 to May 2015. The first BIA grant was concluded in Q2 2015.

The second BIA grant ("Novel therapeutics targeting the EMT/Axl pathway in aggressive cancers") totals to NOK 13.2 million and covers the period from May 2014 to April 2017. The Company has recognised NOK 3.9 million (2015: NOK 5.0 million) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

The third BIA grant ("Axl targeting therapeutics to treat fibrotic diseases") totals to NOK 12.0 million and covers the period from April 2015 to March 2018. The Company has recognised NOK 5.1 million (2015: NOK 0.6 million) 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:

BerGenBio 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 NOK 0.8 million (2015: NOK 0.8 million) 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 (a Norwegian government R&D tax incentive program designed to stimulate R&D in Norwegian trade and industry) for several projects, covering both 2015, 2016 and 2017. The Company has recognised NOK 7.7 million in 2016 (4.1 million in 2015) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

Innovasjon Norge:

In December 2014 the Company was granted an Innovation Project grant from Innovasjon Norge related to immuno-oncology. The grant amounted to NOK 400,000, all of which was recognised in 2016, 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 2016	IT equipment	Furniture and fittings	Total
Cost at 1 January 2015	16	879	895
Additions in the year		255	255
Disposals in the year			-
Cost at 31 December 2016	**16**	**1 134**	**1 150**
Accumulated depreciatioan at 1 January 2016	- 12	- 521	- 533
Depreciation in the year	- 3	- 204	- 207
Accumulated depreciatioan at 31 December 2016	**- 15**	**- 725**	**- 740**
Net carrying amount at 31 December 2016	**1**	**409**	**410**
Estimated useful life	5 years	5 years	
Depreciation method	Straight-line	Straight-line	

Year ended 31 December 2015	IT equipment	Furniture and fittings	Total
Cost at 1 January 2015	16	879	895
Additions in the year			-
Disposals in the year	-	-	-
Cost at 31 December 2015	**16**	**879**	**895**
Accumulated depreciatioan at 1 January 2015	- 9	- 346	- 354
Depreciation in the year	- 3	- 176	- 179
Accumulated depreciatioan at 31 December 2015	**- 12**	**- 521**	**- 533**
Net carrying amount at 31 December 2015	**4**	**357**	**361**
Estimated useful life	5 years	5 years	
Depreciation method	Straight-line	Straight-line	

Research and development

Expenses for research and development for the financial year 2016 was NOK 101.9 millions of which NOK 98.2 million was classified as other operating expenses and NOK 3.8 million was classified as payroll.

For 2015 NOK 43.6 million was expensed for research and development, of which NOK 37.2 million was classified as other operating expenses and NOK 6.4 million 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. The rental agreements can be terminated by either party with a 12 months notice period.

The annual rental amount, including the share of common variable expense, for the premises is NOK 359 517 (2015: NOK 359 516).

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 40 770 (2015: NOK 39 583) per employee per year. The price is subject to a yearly adjustment of 3.5%.

From September 2015 the Company rented an office in Magdalen Centre, The Oxford Science Park, UK. The rental agreements can be terminated by either party with a 1 months notice period. The monthly rental amount is GBP 4,098.

Future minimum rental payable for premises	2016	2015
Within 1 year	469	413
Within 1-5 years	-	-
Over 5 years	-	-
Total	**469**	**413**

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 which complies with the Act on Mandatory company pensions.

As per 1 October 2016, BergenBio decided to change the defined benefit scheme to a defined contribution scheme. The closing of the defined benefit scheme had a positive impact on profit and loss of NOK 5.4 million in 2016, whereas NOK -1.1 million is recognised in other comprehensive income. Under the defined contribution plan, BergenBio does not commit itself to paying specific future pension benefits, but makes annual contributions to the employees' pension savings. As of 31 December 2016 there are 20 active people covered by the defined contribution pension scheme. During the fourth quarter of 2016 a total of 0.3 million have been expensed as pension cost to the contribution plan.

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 2016 NOK -1.1 million (2015: NOK 0.4 million) is recognised in other comprehensive income (OCI).

The actuarial calculation (2015) uses risk tables. The mortality table, K2013, is based on best estimates for the population in Norway. As the defined benefit scheme was discontinued during 2016, only figures from 2015 is presented below.

The year's pension costs are calculated as follows:	2016	2015
Current service cost	1 365	2 010
Interest expense/(income)	95	74
Administration costs	26	10
Payroll tax	210	295
Converting to defined contribution scheme	-5 362	-
Total	**-3 666**	**2 389**

Pension liabilities and pension assets:	2016	2015
	Funded	Funded
Change in gross pension obligation:		
Projected benefit obligation as of 1 January	8 623	8 284
Gross pension expense	2 035	2 200
Pensions paid during the period	-	-
Interest cost	-	-
Actuarial gains/losses	- 265	604
Benefits paid	-	-
Gross pension obligation as of 31 December	**10 393**	**11 089**
Change in plan assets:		
Fair value of plan assets as of 1 January	4 144	4 372
Investments in pension fund assets	1 459	1 873
Actual return on pension assets	89	116
Pensions paid during the period	- 35	- 10
Actuarial gains/losses	40	992
Fair value of the plan assets as of 31 December	**5 697**	**7 344**
Net pension obligation	**4 696**	**3 745**
Net pension obligation including payroll tax	**5 358**	**4 273**
Closing of defined benefit scheme	-5 358	-
Net pension obligation including payroll tax	-	**4 273**

Changes in the liabilities:	2016	2015
Net liability as of 1 January	4 273	4 464
Pension costs recognised in the income statement	-3 666	2 389
Premium payments (exclusive of adm. cost)	-	-
Recognised against other comprehensive income	1 089	- 443
Acquisitions and sales	-1 695	-2 138
Net liability as of 31 December	-	**4 273**

The actuary assumptions used are:	2016	2015
Discount rate	2,60 %	2,50 %
Return on assets	2,60 %	2,50 %
Wage growth in %	2,50 %	2,50 %
Pension adjustments in %	2,25 %	2,25 %
Average turnover	0,00 %	0,00 %

Note 11 – Financial income and expense

	2016	2015
Financial income		
Interest income on tax repaid	13	19
Interest income on bank deposits	1 525	1 466
Other finance income	1 492	1 026
Total financial income	**3 031**	**2 512**

	2016	2015
Financial expense		
Other interest expense	6	26
Calculated market interest rate on convertible loan	19	232
Other finance expense	1 235	1 435
Total financial expense	**1 260**	**1 693**
Net financial income	**1 771**	**818**

For interest calculation on the convertible loan see Note 17.

Note 12 – Income tax

The Company has a tax loss of NOK 134 million in 2016, and in total a tax loss carried forward as of 31 December 2016 of NOK 359 million. 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 asset.

	2016	2015
Pre-tax profit	**-129 801**	**-72 107**
Income taxes calculated at 25% (2015: 27%)	-32 450	-19 469
Adjustment in respect of current income tax of previous years		
Changes in unrecognised deferred tax asset		
Non deductible expenses	- 504	384
Non-taxable income		
Change in temporary differences		
Effect of change in tax rate	3 626	4 616
Change in deferred tax asset not recognized	29 328	14 469
Tax expense	-	-

Deferred tax and deferred tax assets

	2016	2015
Deferred tax assets		
Pensions	-	-4 273
Tax losses carried forward	-358 920	-224 874
Property, plant and equipment	79	- 52
Inventory	-	-
Other	-4 843	-1 580
Deferred tax asset not recognized	362 595	230 779
Deferred tax asset not recognized in other comprehensive income (OCI)	1 089	-
Deferred tax assets - gross	**-**	**-**

Note 13 – Other operating expenses

	2016	2015
Program expenses	60 839	34 341
Office rent and expenses	1 439	1 028
Consultants R&D projects	17 039	4 632
Patent and licence expenses	33 829	3 222
Other operating expenses	11 231	11 838
Government grants	-13 575	-7 475
Total	**110 802**	**47 586**

Specification auditor's fee

	2016	2015
Statutory audit	160	93
Other assurance services	40	474
Other non-assurance services	-	-
Tax consultant services	158	8
Total	**358**	**575**

Amounts are excluding VAT.

Note 14 – Earnings per share

	2016	2015
Loss for the year	-129 801	-72 107
Average number of outstanding shares during the year	309 279	243 386
Earnings (loss) per share - basic and diluted (NOK)	**-419,69**	**-296,26**

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

	2016	2015
Government grants	10 839	6 809
Refundable VAT	1 063	1 021
Pepaid expenses	218	172
Other receivables	182	37
Total	**12 302**	**8 038**

Note 16 – Cash and cash equivalents

	2016	2015
Employee withholding tax	615	599
Deposits	21	21
Short-term bank deposits	161 189	73 373
Total	**161 825**	**73 993**

Of the total balance in cash and cash equivalents, NOK 0.6 million (2015: NOK 0.6 million) 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. The convertible loan is paid in three tranches, based on achieving defined milestones. As of the end of year-end 2016 the Company has received all three tranches of the loan.

The first tranche of the loan was received in October 2014 and was in December 2014 converted to 5,741 new shares in the Company. The second tranche of the loan amounting to GBP 746,000 was received in May 2015 and was in September 2015 converted to 6,406 new shares in the Company. The last tranche of the loan amounting to GBP 100,000 was received in December 2015 and was in March 2016 converted to 573 new shares in the Company. Consequently, as of the end of 2016 the convertible loan has been fully converted to equity and the Company does not any longer have a convertible loan.

The convertible loan was treated as a financial liability consisting of a loan and an embedded derivative. As the number of equity instruments required to settle were not fixed, the derivative did not fulfil the requirements of an equity instrument, and was therefore a financial liability rather than an equity component. On issuance of the convertible loan, the fair value of the liability component was determined using a market rate for an equivalent non-convertible instrument. A market based interest rate of 8% was used. This amount was classified as a financial liability measured at amortised cost until it is extinguished on conversion or redemption. The remainder of the proceeds was allocated to the conversion option that was recognised as a derivate liability.

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 2016	336 922	10	3 369 220
Ordinary shares 2015	247 924	10	2 479 240

Changes in the outstanding number of shares

	2016	2015
Ordinary shares at 1 January	247 924	241 518
Issue of ordinary shares	88 425	-
Issue of ordinary shares from conversion of loan	573	6 406
Ordinary shares at 31 December	**336 922**	**247 924**

Ownership structure

Shareholder	Number of shares	Percentage share of total shares
METEVA AS	129 230	38,4%
INVESTINOR AS	66 098	19,6%
SARSIA SEED AS	21 179	6,3%
NORSK INNOVASJONSKAPITAL II AS	13 331	4,0%
JPMORGAN CHASE BANK, N.A., LONDON	12 720	3,8%
MP PENSJON PK	12 403	3,7%
DATUM INVEST AS	12 092	3,6%
SARSIA DEVELOPMENT AS	11 950	3,5%
BERA AS	10 400	3,1%
PACTUM AS	8 046	2,4%
BIRK VENTURE AS	5 585	1,7%
CB INVEST AS	3 523	1,0%
MICKLEM DAVID ROBERT	2 630	0,8%
SPAR KAPITAL INVESTOR AS	2 629	0,8%
RO INVEST AS	2 609	0,8%
LORENS JAMES BRADLEY	2 500	0,7%
UNI RESEARCH AS	2 077	0,6%
GNIST HOLDING AS	1 589	0,5%
PROFOND AS	1 390	0,4%
HAWI INVEST AS	1 354	0,4%
Top 20 shareholders	**323 335**	**96,0%**
Total other shareholders	13 587	4,0%
Total number of shares	**336 922**	**100,0%**

The Board of Directors have been granted a mandate from the general meeting held on 22 June 2015 to issue 32,934 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 22 June 2017.

Shares in the Company held by the management group

	Current position within the Company	Employed since	2016	2015
Richard Godfrey 1)	Chief Executive Officer	January 2009	1 589	1 589
James Bradley Lorens	Chief Scientific Officer	January 2009	2 500	2 500
Total shares held by management			**4 089**	**4 089**

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	Served until	2016	2015
Susan Elizabeth Foden	Board Member	September 2011		67	67
John Barrie Ward	Board Member	June 2012	February 2016	45	45
David Ian Wilson	Board Member	June 2013	February 2016	44	44
Kåre Rommetveit	Board Member	June 2014	June 2015	170	170
Total shares held by members of the Board of Directors				**326**	**326**

Note 19 – Other current liabilities

	2016	2015
Unpaid duties and charges	1 160	1 220
Unpaid vacation pay	1 368	1 362
Other accrued costs	3 192	2 635
Total	**5 721**	**5 217**

Note 20 – Provisions

	Social security contributions on share options	Total
Balance at 1 January 2016	1 580	1 580
Additional provisions recognised	3 263	3 263
Balance at 31 December 2016	**4 843**	**4 843**
Current	**4 843**	**4 843**
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 differences between the exercise price and the 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 NOK 161.8 million in cash and cash equivalents at year end. The main purpose of this is to finance the Company's activities and ongoing 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 NOK 161.8 million 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 affects the financial income and the return on cash. The Company had NOK 1.5 million in interest income as of 31 December 2016.

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 2016 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 NOK 212 million in a private placements in 2016. Management is work on securing additional funding for the Company, aiming at securing funding through 2019. The cash position of the Company at year end 2016 was NOK 161.8 million, compared to NOK 74 million in 2015.

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.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Thormøhlens gate 53 D, NO-5008 Bergen
Postboks 6163 Bedriftssenter, NO-5892 Bergen

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 55 21 30 00
Fax: +47 55 21 30 01
www.ey.no
Medlemmer av den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of BerGenBio ASA

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of BerGenBio ASA, which comprise the statement of financial position as at 31 December 2016, statements of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of BerGenBio ASA 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 2016 and its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Director (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

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

Building a better working world

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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 Board of Directors' report concerning the financial statements and the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

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

Bergen, 6 March 2017
ERNST & YOUNG AS

Jørn Knutsen
State Authorised Public Accountant (Norway)

Definitions

Adenocarcinoma	Cancerous tumour that can occur in several parts of the body and that forms in mucus-secreting glands throughout the body. It can occur in many different places in the body and is most prevalent in the following cancer types; lung cancer, prostate cancer, pancreatic cancer, esophageal cancer and colorectal cancer. Adenocarcinomas are part of the larger grouping of carcinomas.
AML	Acute myeloid leukaemia.
Antibody	Proteins produced by the B Lymphocytes of the immune system in response to foreign proteins called antigens. Antibodies function as markers, biding to the antigen so that the antigen molecule can be recognized and destroyed.
API	Active pharmaceutical ingredient.
Axl	Cell surface expressed receptor tyrosine kinase, being an essential mediator of the EMT programme. Axl is up-regulated in a variety of malignancies and and associated with immune evasion, acquired drug resistance and correlates with poor clinical prognosis.
Axl_Mab	Axl Monoclonal antibody. A monoclonal antibody that recognizes Axl and binds to the Axl receptor.
BGB324	BerGenBio's lead drug candidate; a highly selective inhibitor of Axl currently undergoing a Phase Ib/II clinical trial showing promising clinical results.
BGB101	Two monoclonal antibody programs against Axl in late stage preclinical development.
Biomarkers	A measurable indicator of some biological state or condition. More specifically, a biomarker indicates a change in expression or state of a protein that correlates with the risk or progression of a disease, or with the susceptibility of the disease to a given treatment.
CellSelect™	A unique patented and powerful technology platform used to identify and validate novel drug targets missed by other technologies.
Checkpoint inhibitors	The immune system depends on multiple checkpoint to avoid overactivation of the immune system on healthy cells. Tumour cells often take advantage of these checkpoints to escape detection by the immune system. Checkpoint inhibitors, inhibit these checkpoints by "releasing the brakes" on the immune system to enhance an anti-tumour T-cell response.
Clinical Research	The research phases involving human subjects.
Clinical Trials	Clinical Trials are conducted with human subjects to allow safety and efficiency data to be collected for health inventions (e.g., drugs, devices, therapy protocols). There trials can only take place once satisfactory information has been gathered on the quality of the non-clinical safety, and Health Authority/Ethics Committee approval is granted in the country where the trial is taking place.
CML	Chronic myelogenous leukemia
CMO's	Contract manufacturing organisations.
Comorbidity	The presence of one or more additional disorders (or diseases) co-occurring with a primary disease or disorder.
CRO	Contract research organisation.
CTL	Cytotoxic T-lymphocytes. Key effector cells of the body's immune response to cancer.
Cytarabine	A chemotherapy agent used mainly in the treatment of cancers of white blood cells such as acute myeloid leukemia (AML).
Decitabine	A cancer treatment drug used for acute myeloid leukemia (AML).
Docetaxel	A clinically well-established anti-mitotic chemotherapy medication that works by interfering with cell division.
Epithelial state	A state of the cell where the cells are stationary, typically forming layers and tightly connected and well ordered. They lack mobility tending to serve their specific bodily function by being anchored in place.
Epithelial tumour cell	Tumour cells in an epithelial state.
EGFR inhibitors	Epidermal growth factor receptor inhibitors. EGFRs play an important role in controlling normal cell growth, apoptosis and other cellular functions, but mutations of EGFRs can lead to continual or abnormal activation of the receptors causing unregulated EGFR inhibitors are either tyrosine kinase inhibitors or monoclonal antibodies that slow down or stop cell growth.
EMT	Epithelial-mesenchymal transition, a cellular process that makes cancer cells evade the immune system, escape the tumour and acquire drug resistant properties.

EMT inhibitors	Compounds that inhibit Axl and other targets that in turn prevent the formation of aggressive cancer cells with stem-cell like properties.
Erlotinib	A drug used to treat non-small cell lung cancer (NSCLC), pancreatic cancer and several other types of cancer. It is a reversible tyrosine kinase inhibitor, which acts on epidermal growth factor receptor (EGFR).
In vivo	Studies within the living.
In vitro	Studies in a laboratory environment using test tubes, petri dishes etc.
MAb	Monoclonal antibodies. Monospecific antibodies that are made by identical immune cells that are all clones of a unique parent cell, in contrast to polyclonal antibodies which are antibodies obtained from the blood of an immunized animal and thus made by several different immune cells.
Mesenchymal state	A state of the cell where the cells have loose or no interactions, do not form layers and are less well ordered. They are mobile, can have invasive properties and have the potential to differentiate into more specialised cells with a specific function.
Mesenchymal cancer cells	Cancer cells in a mesenchymal state, meaning that they are aggressive with stem-cell like properties.
Metastatic cancers	A cancer that has spread from the part of the body where it started (the primary site) to other parts of the body.
Myeloid leukemia	A type of leukemia affecting myeloid tissue. Includes acute myeloid leukemia (AML) and chronic myelogenous leukemia.
NSCLC	Non-small cell lung cancer.
Paclitaxel	A medication used to treat a number of types of cancer including ovarian cancer, breast cancer, lung cancer and pancreatic cancer among others.
Phase I	The phase I clinical trials where the aim is to show that a new drug or treatment, which has proven to be safe for use in animals, may also be given safely to people.
Phase Ib	Phase Ib is a multiple ascending dose study to investigate the pharmacokinetics and pharmacodynamics of multiple doses of the drug candidate, looking at safety and tolerability.
Phase II	The phase II clinical trials where the goal is to provide more detailed information about the safety of the treatment and its effect. Phase II trials are performed on larger groups than in Phase I.
Phase III	In the phase III clinical trials data are gathered from large numbers of patients to find out whether the drug candidate is better and possibly has fewer side effects than the current standard treatment.
Receptor tyrosine kinase	High-affinity cell surface receptors for many polypeptide growth factors, cytokines and hormones. Receptor tyrosine kinases have been shown not only to be key regulators of normal cellular prosesses but also to have a critical role in the development and progression of many types of cancer.
RTK	Receptor tyrosine kinase.
Small molecule	A small molecule is a low molecular weight (<900 dalthons) organic compound that may help regulate a biological process, with a size on the order of 10^{-9}m.
Squamous cell carcinoma	Is an uncrontrolled growth of abnormal cells arising in the squamous cells, which compose most of the skin's upper layers. Squamous cell carcinoma is the second most common form of skin cancer.
TNBC	Triple negative breast cancer.

Contact us

BerGenBio ASA

Jonas Lies vei 91, 5021
Bergen, Norway

Telephone: + 47 535 01 564
E-mail: post@bergenbio.com

Investor Relations Contact

Richard Godfrey
CEO

Telephone: + 47 535 01 564
E-mail: ir@bergenbio.com

Media Relations Contact

David Dible, Mark Swallow, Marine Perrier
Citigate Dewe Rogerson

Telephone: +44 207 638 9571
E-mail: bergenbio@citigatedr.co.uk