



BerGenBio

**Annual Report
2015**

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Board of Directors report 2015

Summary and highlights

2015 has been a significant year for the Company, as we have continued to advance our lead compound, BGB324, through the clinic.

Phase 1b clinical trials of BGB324 in patients with acute myeloid leukaemia (AML) and myelodysplastic syndrome, and in patients with Stage IIIb and Stage IV non-small cell lung cancer (NSCLC), are progressing well.

Promising new preclinical data also demonstrated the rationale for combining BGB324 with immune checkpoint inhibitors to treat aggressive cancer.

We have further established the business, and worked towards a fundraising which secured NOK 212 million post period in March 2016. These additional funds will allow BerGenBio to fund the development of BGB324, as well as our pipeline of novel epithelial-mesenchymal transition (EMT) inhibitors.

During the year, we were pleased to strengthen the executive management team and Board of Directors with the appointments of Petter Nielsen as Chief Financial Officer; Dr Stener Kvinnsland and Hilde Furberg as Non-Executive Director. In early 2016 Stein H. Annexstad, Kari Grønås and Sveinung Hole joined the Board of Directors as Non-Executive Directors; and Hilde Furberg was appointed Chair of the Board of Directors.

Clinical update on lead asset BGB324

BerGenBio continued to make solid progress in 2015 with the clinical development of its lead drug candidate BGB324.

BGB324 is a first-in-class, highly selective small molecule inhibitor of the Axl receptor tyrosine kinase. It blocks EMT, which is a key driver of immune evasion, acquired drug-resistance and metastasis.

BGB324 is currently being evaluated in a multi-centre Phase 1b trial (BGBC003) in patients with AML and myelodysplastic syndrome; and in a multi-centre open label Phase 1b trial (BGBC004) in patients with

Stage IIIb and Stage IV NSCLC in erlotinib-sensitive and refractory patients who have an activating EGFR mutation.

In Q1, the first patient received BGB324 in our Phase 1b trial (BGC004) for patients with NSCLC which is being held at the University of Texas MD Anderson Cancer Center, Houston, Oncology Partners, Houston, and at UT Southwestern Medical Center, Dallas, Texas, USA.

The multi-centre trial is now underway at three sites in Texas. The study, which is designed to: determine the maximum dose of BGB324 that can be safely administered in combination with erlotinib; identify the recommended Phase 2 dose of BGB324; and evaluate the safety, pharmacokinetics and clinical activity of BGB324 in combination with erlotinib.

The Phase 1b trial in AML (BGBC003) is being held at sites in Norway, Germany and the United States and continues to progress well. The first part of the BGBC003 study is a dose escalation process to establish the optimum dose of BGB324 in AML and myelodysplastic syndrome.

Treatment with BGB324 has been well tolerated by patients and early clinical observations are encouraging. One patient remains on treatment for more than one year. Any adverse events that have been reported were anticipated and reversible, they are typical for kinase inhibitors and the patient population.

Key appointments adding strength and breadth to the Company

BerGenBio has continued to grow its organisation and has added key appointments to both its executive management team and Board of Directors in 2015.

In February, Petter Nielsen joined the Company as Chief Financial Officer. Petter has extensive experience related to mergers and acquisitions, IPOs, valuation and IFRS from Ernst & Young where he has worked in the Transaction Advisory Services group. Prior to joining BerGenBio, he held the position of Chief Financial Officer at GexCon AS.

In September, the Company strengthened its Board by appointing Hilde Furberg and Dr Stener Kvinnsland as Non-Executive Directors. Post period, Hilde Furberg was subsequently appointed as Chair of the Board, with prior Chair Susan Foden stepping down but remaining a Non-Executive Director.

Hilde has over 30 years of experience in pharma and biotech and is currently Senior Vice President Rare Disease EU at Sanofi Genzyme. Previously her role was Vice President and General Manager of Nordic Benelux and Nordic General Manager at Genzyme. Prior to joining Genzyme, Hilde was Managing Director and part-owner of Pharmalink A/S and held a number of roles at Baxter including Managing Director, Sweden. She is currently a board member at Pharmalink AB and has held board positions at Algeta ASA, Clavis, Pronova and Probi AB.

Dr Stener Kvinnsland has more than 30 years of experience in oncology. He is Chair of Board, Oslo University Hospital. Among Stener's previous roles, he was Chief Executive Officer of the Bergen Hospital Trust (Helse Bergen), Head of the Department of Oncology and Medical Physics at Haukeland University Hospital, Professor of Medicine (Oncology) at the University of Bergen and Director Clinical R&D, Oncology for Pharmacia & Upjohn in Milan.

In October, Dr Anthony Brown joined BerGenBio as Research Director. He has over 25 years of experience in the drug discovery of both small molecules and biological therapeutics. He has managed strategic alliances with Pharma and Biotech and led several novel programmes in Oncology, from early research through to clinical studies. Previously he has held Senior Management and Director level positions at British Biotech, OSI Pharmaceuticals, Piramed Pharma, Cancer Research Technology and more recently at CellCentric.

Post period end, it was announced that John Barrie Ward and David Wilson have stepped down from the Board. Stein H. Annexstad, Kari Grønås and Sveinung Hole have been appointed as new Non-Executive Directors.

Nordic Stars Award

In September, BerGenBio was awarded one of the Nordic Stars Awards at the Nordic Life Science Days 2015 conference held in Stockholm, Sweden. The award recognised BerGenBio's market-leading innovation and entrepreneurial skills in the Nordic life science community.

Funding to support promising drug development programmes

In 2014, BerGenBio was selected for a £1.6 million (NOK 16 million) Seeding Drug Discovery Award from the UK's Wellcome Trust to fund the next phase of the Company's BGB002 drug development project to a preclinical proof of concept.

As agreed, the Wellcome Trust elected to convert the first tranche of its convertible loan in December 2014; and BerGenBio received the second tranche of NOK 9.2 million in the second quarter of 2015.

Post period, BerGenBio announced that it had secured a capital raise of NOK 212 million in a private placement from existing shareholders, including Investinor AS and Meteva AS. The proceeds will be used primarily to support the ongoing clinical and commercial development of lead asset BGB324, as the Company prepares to open several Phase 2 combination trials.

Additionally, BerGenBio continues to evaluate additional sources of complementary funding to support our promising research and clinical development programmes.

As of 31 December 2015, the Company had cash and cash equivalents of NOK 74 million and including grant funding, the Company expects to be sufficiently funded through to 2017.

Pipeline and pre-clinical progress

In conjunction with the 2015 American Society of Clinical Oncology (ASCO) Annual Meeting in June, researchers from The University of Texas Southwestern, Dallas, Texas published an abstract on the latest data on BGB324 and BGB10C9, an Axl function-blocking monoclonal antibody in preclinical development at BerGenBio. The research demonstrated that selective Axl-targeting with BGB324 or BGB10C9 inhibits tumour progression and blocks metastasis in multiple murine models of

pancreatic cancer. This supports the development of selective Axl-targeting agents to enhance pancreatic cancer treatment.

During the year, the rationale for combining BGB324 and checkpoint inhibitors has been gaining momentum. In September, BerGenBio presented new preclinical data on BGB324 in combination with immune checkpoint inhibitors in a poster at the Inaugural International Cancer Immunotherapy Conference: Translating Science into Survival, in New York.

This data highlights that BGB324, when combined with immune checkpoint inhibitors (anti-CTLA-4 and anti-PD-1) in mouse carcinoma models, showed enhanced tumour clearance, survival and tumour infiltration of cytotoxic T lymphocytes, when compared with checkpoint inhibition alone.

Post period in April 2016, BerGenBio presented preclinical data demonstrating that BGB324 combined with immune checkpoint inhibitors has the potential to synergistically improve treatment of human cancers, at the American Association of Cancer Research Annual Meeting (AACR), in New Orleans, Louisiana.

The data demonstrated that selective inhibition of Axl signalling with BGB324 significantly increased responsiveness to immune checkpoint blockade in syngeneic mammary and lung cancer mouse models. The combination of BGB324 with different immune checkpoint inhibitors (anti-CTLA-4, anti-PD-1, anti-PD-L1) displayed increased infiltration of cytotoxic T lymphocytes and natural killer cells and significantly improved anti-tumour responses.

The data presented at both these conferences suggest that the Company's pipeline of EMT drugs have the potential to be used in combination with immune checkpoint inhibitors, an important emerging class of anti-cancer drug, to enhance their efficacy.

In December, BerGenBio presented one abstract and one poster on BGB324 at the 58th American Society of Hematology Annual Meeting & Exposition (ASH) in San Diego, California. The ASH Annual Meeting is the world's premier event in malignant and non-malignant hematology.

The abstract demonstrated that there are signal transduction changes in AML cells treated with

BGB324 *in vitro* and *in vivo*. This paper highlights the ability to use phosphoflow cytometry in monitoring signalling profiles in primary AML cells harvested from patients undergoing BGB324 treatment. Further analyses are ongoing.

The poster that was presented suggests that Axl represents a therapeutic target even in resistant forms of chronic myeloid leukaemia (CML) and therefore Axl inhibitor BGB324 could provide a therapeutic option for patients suffering from CML. Preclinical data showed that BGB324 inhibited Axl in cells that were resistant to tyrosine kinase inhibitor (TKI) therapies, and also prolonged overall survival in CML mouse models. These data highlight the advantage of inhibiting Axl even in the most resistant CML cells, and suggest the need for progressing BGB324 into the clinic for the treatment of CML, alone and in combination with TKIs.

Strategy and outlook

BerGenBio is developing a pipeline of first-in-class oncology drugs by leveraging its leadership position in understanding the complex biology of EMT, a mechanism widely recognised as a key pathway in immune evasion, acquired cancer drug-resistance and metastasis.

There is a significant unmet need for effective novel therapeutics that can address acquired drug resistance in cancer. It is estimated that 50% of the population will be diagnosed with cancer during their lifetime, and 90% of cancer mortality is from tumours that spread, evade the immune system and become drug resistant.¹

By 2018, the market size in oncology is estimated to be USD 147 billion² and the Board believes BerGenBio's pipeline of first-in-class EMT inhibitors have the potential to target this market and provide patients with a much needed therapeutic option for aggressive forms of cancer.

Lead compound, BGB324, is progressing through Phase 1b clinical trials and the Company believes this drug has the potential to offer promising new treatment options for AML and NSCLC.

Additionally, BerGenBio's second drug candidate, BGB002, is on track to enter the clinic in 2017.

Preclinical data suggests it may have a role in treating triple negative breast cancer and other drug resistant cancers that are difficult to treat.

The Company's intention is to develop its drug candidates to their value inflection points, typically proof of concept stage; before deciding whether further clinical development and commercialisation will be sought through strategic alliances and partnerships.

Following the successful securing of funding of NOK 212 million (c. \$25 million) in February 2016, the Company is in a strong position to advance its pipeline and continue to establish itself as a leader in the development of innovative drugs for aggressive cancers.

We would like to thank our staff and Board members for their contribution and dedication, all our shareholders for their ongoing support, and we look forward providing an update on our progress during 2016.

1 Cancer Research UK

2 IMS Institute - Global Oncology Trend Report 2015, May 2015

Financial review

Accounting policies

The financial statements of BerGenBio AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU on 31 December 2015.

Operating revenues

BerGenBio did not have any operating revenues in 2015, while in 2014 the total operating revenues were NOK 0.6 million. Revenues are related to the out-license of two of the early pipeline assets.

Operating expenses

Net operating expenses increased from NOK 59.4 million in 2014 to NOK 72.9 million in 2015. The cost increase was driven by the acceleration of the development programs and clinical trials. The operating loss for BerGenBio amounted to NOK 72.9 million compared to NOK 58.8 million in 2014.

Research and development cost

The process of developing drug product candidates is often divided into several phases, each used to describe the different aspects of the drug product candidate. The different phases are: the discovery phase, the preclinical development phase and the clinical research phase. BGB324, the first product candidate of BerGenBio is currently in phase 1b of the clinical research phase. Expenditure on research activities was recognised as an expense in the period in which it was incurred. Uncertainties related to the regulatory approval process and results from ongoing clinical trials generally indicate that the criteria for 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 2015 were NOK 43.6 million, whereas NOK 37.2 million were classified as other operating expenses and NOK 6.4 million were classified as payroll. In 2014 the research and development costs were NOK 39.6 million, whereas NOK 33.4 million and NOK 6.3 million were classified as other operating expenses and payroll respectively.

Net financial items

Net financial items for BerGenBio amounted to NOK 0.8 million for 2015 compared to NOK 1.0 million for 2014. The interest from ordinary bank deposits was approximately on the same level in 2015 and 2014.

Performance

Total comprehensive loss for the year attributable to owners of BerGenBio was NOK -71.7 million for 2015 compared to NOK -60.5 million for 2014. Ordinary earnings per share amounted to NOK -296 in 2015 for BerGenBio compared to NOK -323 in 2014.

Financial position and cash flow

Property, plant and equipment decreased from NOK 0.5 million at the end of 2014 to NOK 0.4 million at the end of 2015.

Cash and cash equivalents were NOK 74.0 million at year-end 2015 for BerGenBio compared to NOK 126.4 million at year-end 2014. The decrease reflects the funding of BerGenBio's operational activities.

Total liabilities for the BerGenBio were NOK 17.6 million in 2015 compared to NOK 14.4 million at year-end of 2014.

Shareholders' equity for BerGenBio was NOK 64.7 million at the end of 2015, with an equity ratio of 78.6% compared to NOK 121.6 million in 2014 (equity ratio of 89.4%).

The total cash flow from operating activities was NOK -62.9 million in 2015, compared to NOK -53.7 million in 2014. Total cash flow from investing activities was NOK 0 million in both 2015 and 2014. Total cash flow from financing activities was net NOK 10.5 million for 2015 compared to NOK 168.0 million in 2014.

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

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

Allocation of the 2015 result

BerGenBio AS' annual result amounted to a loss of NOK -72.1 million. The Board of Directors proposed that the loss is transferred to share premium.

Financial risks

Interest rate risk

The Company holds 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 in interest income as of 31 December 2015.

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 2015 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 also secured equity funding of NOK 212 million in February 2016. The available cash will support the execution of our R&D and pre-commercialisation strategy through to 2017. The cash position of the Company at year-end 2015 was NOK 74.0 million, compared to NOK 126.4 million in 2014.

Non-financial risks

Technology risk

The Company's lead product candidate BGB324 is currently in Phase 1b clinical trials. This is regarded as an early stage of development and the Company's clinical studies may not prove to be successful.

Competitive technology

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

Market risks

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

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

Personnel and organisation

BerGenBio's senior management team at year-end consists of Richard Godfrey, Chief Executive Officer, Jim Lorens, Chief Scientific Officer, Petter Nielsen, Chief Financial Officer, Murray Yule, Chief Development Officer, and Anthony Brown, Research Director.

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

The Company rents premises in Bergen for its office and laboratory purposes under two rental agreements. The rental agreements expire on 1 December 2020 with an option for extension. The Company also rents office premises in Oxford on a short-term lease.

Health, safety and environment (HSE)

At the end of 2015, the Company employed 19 people, of which 2 are part time employed. This is an decrease of 2 employees compared to the end of 2014. The working environment in the Company is considered to be good. No accidents or injuries were registered in 2014. Absence due to illness in BerGenBio totalled 25 working days in 2015, which corresponds to 0.5% of total working days compared to 0.5% (21 working days) in 2014.

BerGenBio aims to be a workplace with equal opportunities for women and men in all areas. The Company has traditionally recruited from environments where the number of women and men is relatively equally represented. In terms of gender equality within the Company, 43% of Board members are women, and 0% of the senior management team.

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

External environment

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

Bergen, 13 May 2016, The Board of Directors, BerGenBio AS



Hilde Furberg, Chairman



Susan Foden



Sveinung Hole



Jon Øyvind Eriksen



Stein Annexstad



Kari Grønås



Stener Kvinnsland



Richard Godfrey (CEO)

Financial statements

Statement of profit or loss and other comprehensive income

1 January - 31 December
 (NOK 1000)

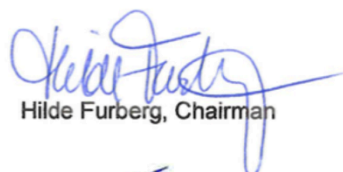
	Note	2015	2014
Revenue	4		598
Employee benefit expenses	5, 7, 10	25 160	17 598
Depreciation	8	179	179
Other operating expenses	7, 13	47 586	41 645
Total operating expenses		72 925	59 422
Operating profit		-72 925	-58 824
Finance income	11	2 512	2 304
Finance expense	11	1 693	1 261
Financial items, net		818	1 044
Profit before tax		-72 107	-57 780
Income tax expense	12		-
Profit after tax		-72 107	-57 780
Other comprehensive income			
<i>Items which will not be reclassified over profit and loss</i>			
Actuarial gains and losses on defined benefit pension plans	10	443	-2 704
Total comprehensive income for the year		-71 664	-60 484
Earnings per share:			
- Basic and diluted per share	14	-296,26	-323,44

Statement of financial position

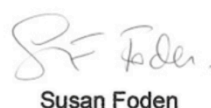
31 December
(NOK 1000)

	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	8	361	540
Total non-current assets		361	540
Current assets			
Other current assets	15	8 038	9 124
Cash and cash equivalents	16	73 993	126 357
Total current assets		82 031	135 482
TOTAL ASSETS		82 392	136 022
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Share capital	18	2 479	2 415
Share premium	18	49 944	112 442
Other paid in capital	6, 18	12 324	6 747
Total paid in capital		64 747	121 605
Total equity		64 747	121 605
Non-current liabilities			
Pension liability	10	4 273	4 464
Convertible loan	17	1 119	-
Derivative financial liability	17	189	-
Total non-current liabilities		5 580	4 464
Current liabilities			
Accounts payable		5 269	4 403
Other current liabilities	19	5 217	4 266
Provisions	20	1 580	1 285
Total current liabilities		12 065	9 953
Total liabilities		17 645	14 418
TOTAL EQUITY AND LIABILITIES		82 392	136 022

Bergen, 13 May 2016, The Board of Directors, BerGenBio AS



Hilde Furberg, Chairman



Susan Foden



Sveinung Hole



Jon Gyvind Eriksen



Stein Annexstad



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 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
Calculated interest element on convertible loan	11,17	-	-	-	-
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

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

Statement on cash flow

1 January - 31 December
 (NOK 1000)

	Note	2015	2014
Cash flow from operating activities			
Loss before tax		-72 107	-57 780
Non-cash adjustments to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	8	179	179
Calculated interest element on convertible loan	11,17	232	94
Share-based payment expense	5	5 576	1 988
Movement in provisions and pensions	10, 20	547	857
Working capital adjustments:			
Decrease in trade and other receivables and prepayments		1 086	-4 145
Increase in trade and other payables		1 584	5 093
Net cash flow from operating activities		-62 902	-53 715
Cash flows from investing activities			
Purchase of property, plant and equipment	8	-	-
Net cash flow used in investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of share capital	18	-	167 959
Proceeds from borrowings, convertible loan		1 307	-
Conversion of loan by issue of share capital		9 230	-
Net cash flow from financing activities		10 538	167 959
Net increase/(decrease) in cash and cash equivalents		-52 365	114 245
Cash and cash equivalents at beginning of period	16	126 357	12 113
Cash and cash equivalents at end of period	16	73 993	126 357

Notes to the Financial Statements

Note 1 – Corporate information

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

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

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

is developing a promising pipeline of novel EMT inhibitors.

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

The Company is not part of a group and does consequently not prepare consolidated financial statements. Publication of the financial statements for the year ending 31st December 2015 was approved by the Board of Directors on 13th May 2016.

Note 2 – Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in all periods presented. Amounts are in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK 000), except when otherwise indicated. The functional currency of the Company is NOK.

Basis of preparation

The financial statements of BerGenBio AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union and Norwegian disclosure requirements listed in the Norwegian Accounting Act.

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 Company secured a capital raise of NOK 212 million in a private placement in February 2016. 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.

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Derecognition

A financial asset is primarily derecognised when:

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Convertible loan

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

On issuance of the convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. 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 derivative liability. The carrying amount of the conversion option is not remeasured in subsequent years.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at

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

Derecognition

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

Share-based payments

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

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

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

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

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

Taxes

Current income tax

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

Deferred tax

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

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

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

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

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

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

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

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

Foreign currencies

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

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Cash and short-term deposits

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

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

Provisions

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

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

Pensions and other post-employment benefits

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

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

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

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

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

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

New and amended standards and interpretations

The Company has evaluated that none of the new standards will have any material impact based on the business as of today, except from IFRS 16, the new leases standard.

Note 3 – Significant accounting judgements, estimates and assumptions

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

Estimates and assumptions

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

Share-based payments

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

Defined benefit plans (pension benefits)

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

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

The mortality rate is based on publicly available mortality tables for the specific countries. Those

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

Further details about pension obligations are given in Note 10.

Note 4 – Segments

The Company had no revenues in 2015 and limited revenues in 2014. The revenues in 2014 are related to licensing of an antibody within Europe.

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

Note 5 – Payroll and related expenses

	2015	2014
Salaries	16 850	13 489
Social security tax	2 500	2 845
Pension expense	2 001	1 336
Bonus	1 222	277
Share option expense employees	5 576	1 988
Other remuneration	1 322	753
Government grants	-4 312	-3 091
Total payroll and related expenses	25 160	17 598
Average number of full time equivalent employees	20	21

Management remuneration

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 part-time 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

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 2014

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

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

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

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

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

		Served since	Served until	2015	2014
Susan Foden	A)	September 2011		338	180
John Barrie Ward	B)	June 2012		160	135
David Ian Wilson	C)	June 2013		160	135
Jon Øyvind Eriksen		January 2012		-	-
Rune Rinnan		October 2011	June 2015	-	-
Hans Ivar Robinson		October 2011	June 2015	-	-
Sveinung Hole		June 2010	June 2015	-	-
Hilde Furberg	1)	June 2015		87	-
Stener Kvinnsland	2)	September 2015		83	-
Kåre Rommetveit	3)	June 2014	June 2015	30	30
Total remuneration				858	479

- 1) Hilde Furberg was appointed to the Board of Directors in June 2015, and the remuneration covers the period from June until year-end
- 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.
- 3) Kåre Rommetveit was a member of the Board of Directors until June 2015

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. Susan Foden, NOK 316,795 (2014: NOK 244,707)
- B. John Barrie Ward, NOK 99,637 (2014: NOK 70,784)
- C. David Ian Wilson, NOK 99,637 (2014: NOK 144,504)

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

Option holder	Number of options outstanding	Grant date	Expiry date	Exercise price (NOK)	
Richard Godfrey	500	10-Sep-10	31-Dec-17	565,00	
	1 000	27-May-11	31-Dec-17	756,00	
	750	21-Jun-12	31-Dec-17	1 061,72	
	1 500	3-Sep-13	3-Sep-21	1 061,72	
	750	13-Jun-13	13-Jun-21	1 061,72	
	1 200	11-Jun-14	11-Jun-22	1 115,00	
James B Lorens	2 750	22-May-15	22-May-23	1 601,00	
	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	
Petter Nielsen	700	11-Jun-14	11-Jun-22	1 115,00	
	2 750	22-May-15	22-May-23	1 601,00	
	1 000	22-May-15	22-May-23	1 601,00	
	Anthony Brown	1 000	2-Sep-15	2-Sep-23	1 601,00
	Susan Foden	1 000	18-Jun-12	18-Jun-20	1 061,72
	550	3-Sep-13	3-Sep-21	1 061,72	
John Barrie Ward	250	20-Jun-13	20-Jun-21	1 061,72	
	500	19-Jun-14	19-Jun-22	1 115,00	
	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	21 000				

Note 6 – Employee share option program

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

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

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

The options vest at milestones that are significant for the Company and/or significant to the responsibility of the employee. There are many different vesting milestones associated with the options as these have been granted over several years where different short- and long-term objectives have been prioritised as vesting criteria's. For options granted in 2013 and 2014 the majority vest at IPO/Exit. Options granted in prior periods have been linked to among other successful funding at various stages of the company's development, filing of IMPD/IND for BGB324, IMPD approval, start of Phase 1 clinical trials, in-licensing of an Axl small molecule, development of biomarker and bioassay for use in clinical trials and other similar criteria's.

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

	Number of options	Grant date	Expiry date	Exercise price
Granted in September 2010	2 250	Sep 2010	Dec 2017	565,00
Granted in May 2011	1 750	May 2011	Dec 2017	756,00
Granted in June 2012	2 850	Jun 2012	Dec 2017	1 061,72
Granted in June 2012	2 250	Jun 2012	Jun 2020	1 061,72
Granted in June 2013	3 600	Jun 2013	Jun 2021	1 061,72
Granted in September 2013	4 000	Sep 2013	Sep 2021	1 061,72
Granted in June 2014	2 800	Jun 2014	Jun 2022	1 115,00
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
Forfeited	-75			1 061,72
Total	28 525			

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at 1 January	19 500	984,62	16 700	962,76
Granted during the year	9 100	1 601	2 800	1 115,00
Exercised during the year	-	-	-	-
Forfeited	- 75	1 601	-	-
Balance at 31 December	28 525	1 181,05	19 500	984,62

The weighted average fair value of the options granted in the period in 2015 is NOK 630.71, totalling to NOK 5.7 million, while it for same period in 2014 was NOK 484.75, totalling to NOK 1.4 million.

	2015	2014
Options vested at 1 January	9 600	8 826
Vested in the period	1 826	774
Options vested at 31 December	11 426	9 600
Total outstanding number of options	28 525	19 500
Total intrinsic value at the end of the period (NOK000)	11 205	12 019

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 Exit/IPO or condition expected to be met after Exit/IPO.

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

For the twelve month period ending 31 December 2015 the value of the share options expensed through the profit or loss amounts to NOK 5.6 million (for the same period in 2014: NOK 2.0 million). In addition a provision for social security contributions on share options of NOK 0.3 million (for the same period in 2014: NOK 1.1 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

	2015	2014
Payroll and related expenses	4 312	3 091
Other operating expenses	7 475	7 364
Total	11 787	10 456

Grants receivable as at 31 December are detailed as follows:

	2015	2014
Grants from Research Council, BIA	2 270	3 817
Grants from Research Council, PhD	394	470
Grants from SkatteFunn	4 145	3 968
Total	6 809	8 255

BIA grants from the Research Council:

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

The first BIA grant ("Targeting Cancer Stem Cells with Axl inhibitors to Treat Advanced Metastatic Cancer") totals to NOK 11.7 million and covers the period from June 2012 to May 2015. The Company has recognised NOK 1.3 million (2014: NOK 2.9 million) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses. 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 5,0 million (2014: NOK 2.9 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 0.6 million (2014: NOK 0 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 (2014: 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 the period from 2012 until the end of 2015. The Company has recognised NOK 4.1 million in 2015 (2014: NOK 4.0 million) 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 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	

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

Expenses for research and development for the financial year 2015 is NOK 43.6 million, of which NOK 37.2 million is classified as other operating expenses and NOK 6.4 million is classified as payroll.

For 2014 NOK 39.6 million was expensed for research and development, of which NOK 33.4 million was classified as other operating expenses and NOK 6.3 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 (2014: 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 39 583 (2014: NOK 38 430) per employee per year. The price is subject to a yearly adjustment of 3.5%.

From September 2015 the Company rents a 42 square meters office in Magdalen Centre, The Oxford Science Park, UK. The rental agreement can be terminated by either party with a one months notice period. The monthly rental amount is GBP 2,415.

Future minimum rental payable for premises	2015	2014
Within 1 year	413	370
Within 1-5 years	-	-
Over 5 years	-	-
Total	413	370

Note 10 – Pensions

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

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

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

Pension adjustments are made annual following the annual payaward determined by the compensation committee and shall at the minimum equal the inflation adjustment. As of 31 December 2015 there are 21 active people covered by the pension scheme.

The effect of the difference between actual return on the pension assets and the discount rate will be recognised in other comprehensive income in the statement of comprehensive income in accordance with the regulation in IAS 19. In 2015 NOK -0.4 million (2014: NOK 2.7 million) is recognised in other comprehensive income (OCI). The actuarial calculation uses risk tables. The mortality table, K2013, is based on best estimates for the population in Norway.

The year's pension costs are calculated as follows:	2015	2014
Current service cost	2 010	1 152
Interest expense/(income)	74	45
Administration costs	10	8
Payroll tax	295	170
Total	2 389	1 375

Pension liabilities and pension assets:	2015	2014
	Funded	Funded
Change in gross pension obligation:		
Projected benefit obligation as of 1 January	8 284	4 887
Gross pension expense	2 200	1 347
Pensions paid during the period	-	- 47
Interest cost	-	-
Actuarial gains/losses	604	2 097
Benefits paid	-	-
Gross pension obligation as of 31 December	11 089	8 284
Change in plan assets:		
Fair value of plan assets as of 1 January	4 372	3 172
Investments in pension fund assets	1 873	1 378
Actual return on pension assets	116	149
Pensions paid during the period	- 10	- 55
Actuarial gains/losses	992	- 273
Fair value of the plan assets as of 31 December	7 344	4 372
Net pension obligation	3 745	3 913
Net pension obligation including payroll tax	4 273	4 464

Changes in the liabilities:	2015	2014
Net liability as of 1 January	4 464	1 957
Pension costs recognised in the income statement	2 389	1 375
Premium payments (exclusive of adm. cost)	-	-
Administration cost	- 443	2 704
Acquisitions and sales	-2 138	-1 572
Net liability as of 31 December	4 273	4 464

The actuary assumptions used are:	2015	2014
Discount rate	2,50%	2,30%
Return on assets	2,50%	2,30%
Wage growth in %	2,50%	2,75%
Pension adjustments in %	2,25%	0,00%
Average turnover	0,00%	0,00%

Note 11 – Financial income and expense

	2015	2014
Financial income		
Interest income on tax repaid	19	11
Interest income on bank deposits	1 466	1 457
Other finance income	1 026	837
Total financial income	2 512	2 304

	2015	2014
Financial expense		
Other interest expense	26	12
Calculated market interest rate on convertible loan	232	94
Other finance expense	1 435	1 155
Total financial expense	1 693	1 261
Net financial income	818	1 044

For interest calculation on the convertible loan see Note 17.

Note 12 – Income tax

In the filed tax papers for 2014 a change was done compared to the tax note in the financial statements for 2014. The change was related to tax deduction for intangible assets of NOK 82 million. The tax deduction is part of the tax losses carried forward in 2015. There is still an opportunity that the tax authorities will not accept this tax deduction.

The Company has a tax loss of NOK 71 million in 2015, and in total a tax loss carried forward as of 31 December 2015 of NOK 225 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.

	2015	2014
Pre-tax profit	-72 107	-57 780
Income taxes calculated at 27%	-19 469	-15 601
Adjustment in respect of current income tax of previous years	-	-
Changes in unrecognised deferred tax asset	-	-
Non deductible expenses	384	-1 947
Non-taxable income	-	-
Change in temporary differences	-	-
Effect of change in tax rate	4 616	-
Change in deferred tax asset not recognized	14 469	17 548
Tax expense	-	-
Income tax expense reported in income statement	-	-
Tax expense attributable to discontinued operation	-	-
Income tax expense	-	-

Deferred tax and deferred tax assets

	2015	2014
Deferred tax assets		
Pensions	-4 273	-4 464
Tax losses carried forward	-224 874	-72 750
Property, plant and equipment	- 52	-81 597
Inventory		-
Other	-1 580	-1 285
Deferred tax asset not recognized	230 779	160 096
Deferred tax assets - gross	-	-

Note 13 – Other operating expenses

	2015	2014
Program expenses	34 341	32 264
Office rent and expenses	1 028	1 007
Consultants R&D projects	4 632	5 688
Patent and licence expenses	3 222	5 538
Other operating expenses	11 838	4 512
Government grants	-7 475	-7 364
Total	47 586	41 645

Specification auditor's fee

	2015	2014
Statutory audit	93	90
Other assurance services	474	34
Other non-assurance services		-
Tax consultant services	8	8
Total	575	132

Note 14 – Earnings per share

	2015	2014
Loss for the year	-72 107	-57 780
Average number of outstanding shares during the year	243 386	178 641
Earnings (loss) per share - basic and diluted (NOK)	-296,26	-323,44

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

Note 15 – Other current assets

	2015	2014
Government grants	6 809	8 255
Refundable VAT	1 021	718
Prepaid expenses	172	150
Other receivables	37	2
Total	8 038	9 124

Note 16 – Cash and cash equivalents

	2015	2014
Employee withholding tax	599	513
Deposits	21	21
Short-term bank deposits	73 373	125 824
Total	73 993	126 357

Of the total balance in cash and cash equivalents, NOK 0.6 million (2014: NOK 0.5 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 2015 the Company has received all three tranches of the loan. Wellcome may at its discretion require issuance of new these shares at a 10% discounted price of the previous financing round or in the event of conversion immediately prior to listing, at a discount of 10% to the intended share price at listing.

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.

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

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

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

In some cases, e.g. sale of the Company or listing, Wellcome can require a full repayment of the loan. If Wellcome requires a repayment an accrued interest rate of LIBOR plus 2% is applied. In the event that Wellcome decides to use its option of repayment, the Company shall pay to Wellcome an amount equal to 20% of the net revenues (as defined in the Loan agreement) during the year immediately preceding the agreed repayment date and thereafter, on each subsequent anniversary of the agreed repayment date an amount up to 20% of the net revenues of the Company received during the year immediately preceding that anniversary, until the Repayment Amount has been paid in full. The parties shall in good faith agree the first date on which payments shall be due from the Company.

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 2015	247 924	10	2 479 240
Ordinary shares 2014	241 518	10	2 415 180

Changes in the outstanding number of shares

	2015	2014
Ordinary shares at 1 January	241 518	112 297
Issue of ordinary shares	-	123 480
Issue of ordinary shares from conversion of loan	6 406	5 741
Ordinary shares at 31 December	247 924	241 518

Ownership structure

Shareholder	Number of shares	Percentage share of total shares
INVESTINOR AS	61 932	25,0%
METEVA AS	56 296	22,7%
SARSIA SEED AS	21 179	8,5%
NORSK INNOVASJONSKAP	13 331	5,4%
DATUM INVEST AS	12 492	5,0%
MP PENSJON PK	12 403	5,0%
J.P. MORGAN CHASE BA NORDEA TREATY	12 147	4,9%
SARSIA DEVELOPMENT	11 950	4,8%
BJØRGVIN AS	6 246	2,5%
BIRK VENTURE AS	5 585	2,3%
CB INVEST AS	3 523	1,4%
SPAR KAPITAL INVESTO	3 350	1,4%
RO INVEST AS	2 609	1,1%
MICKLEM DAVID ROBERT	2 525	1,0%
LORENS JAMES BRADLEY	2 500	1,0%
UNI RESEARCH AS	2 077	0,8%
PACTUM AS	1 800	0,7%
GNIST HOLDING AS	1 589	0,6%
PROFOND AS	1 390	0,6%
HAWI INVEST AS	1 354	0,5%
Top 20 shareholders	236 278	95,3%
Total other shareholders	11 646	4,7%
Total number of shares	247 924	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	2015	2014
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	2015	2014
Susan Elizabeth Foden	Chairman	September 2011		67	67
John Barrie Ward	Board Member	June 2012		45	45
David Ian Wilson	Board Member	June 2013		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

	2015	2014
Unpaid duties and charges	1 220	940
Unpaid vacation pay	1 362	1 289
Other accrued costs	2 635	2 038
Total	5 217	4 266

Note 20 – Provisions

	Social security contributions on share options	Total
Balance at 1 January 2015	1 285	1 285
Additional provisions recognised	295	295
Balance at 31 December 2015	1 580	1 580
Current	1 580	1 580
Non-current	-	-

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

Note 21 – Financial instruments and risk management objectives and policies

The Company's activities are exposed to certain financial risks including foreign exchange risk, credit risk and liquidity risk. The risk is however of such character that the Company has chosen not to put in place any measures to mitigate the potential unpredictability of the financial markets. The Company has NOK 74.0 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 amortised cost, with exception of the convertible loan measured at fair value. 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 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 affects the financial income and the return on cash. The Company had NOK 1.5 million in interest income as of 31 December 2015.

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 2015 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 90 million in a private placement in November 2014 and NOK 75 million in January 2014. Towards the end of 2015 management work on securing additional funding for the Company, which was concluded through secured capital raises of NOK 212 million in February 2016. The available cash should support the execution of main R&D and pre-commercialization strategy through to 2017. The cash position of the Company at year-end 2015 was NOK 74.0 million, compared to NOK 126.4 million in 2014.

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.

To the Annual Shareholders' Meeting of
BerGenBio AS

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of BerGenBio AS, which comprise the statement of financial position as at 31 December 2015, the statements of income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

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

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements of BerGenBio AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Bergen, 13 May 2016

ERNST & YOUNG AS



Jørn Knutsen

State Authorised Public Accountant (Norway)

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