BerGenBio

Annual Report and Accounts 2017

INNOVATIVE NEW DRUGS FOR AGGRESSIVE DISEASE

Contents

For more information
www.bergenbio.com

BerGenBio (OSE:BGBIO) is a clinical stage biopharmaceutical company developing innovative drugs for aggressive diseases, including immune evasive, drug resistant and metastatic cancers.

Highlights 2017

A year focused on delivering an extensive, international Phase II clinical trial programme evaluating the potential of bemcentinib, a first-in-class selective AXL inhibitor, as a future cornerstone of cancer combination therapy.

Our Mission

To provide innovative, safe and effective medicines that improve survival and quality of life for patients with aggressive disease.

Our Strategy

To translate our original research insights into efficient and dynamic clinical trial programmes, designed to accelerate proof of concept and commercialisation.

Our year in review

01 January

BERGENBIO IS FEATURED IN THE NEW YEAR SPEECH OF THE PRIME MINISTER OF NORWAY ERNA SOLBERG

Solberg highlights BerGenBio and one of its founders, Professor Jim Lorens, as a prime example of how "individual initiative and entrepreneurialism" are drivers to secure the Norwegian future economic growth.

We could not agree more and thank all our employees and supporters for their initiative and entrepreneurialism over the past decade in the quest to pioneer new treatments for cancer patients worldwide.

06 April

BERGENBIO SUCCESSFULLY COMPLETES ITS INITIAL PUBLIC OFFERING

A total of NOK400m (ca USD50m) was raised in connection with our initial public offering (IPO) and listing on the Oslo Stock Exchange. The funds are crucial to progressing our extensive Phase II clinical programme with bemcentinib. We welcomed several leading institutions among the approximately 2,000 new shareholders in the Company.

26 June

BERGENBIO ANNOUNCES THE AWARD OF NOK24M (CA USD3M) FROM INNOVASJON NORGE TO SUPPORT ITS PHASE II TRIAL OF BEMCENTINIB IN COMBINATION WITH KEYTRUDA IN LUNG CANCER PATIENTS

Innovasjon Norge's Industrial Development Award (IFU) programme is designed to support Norwegian companies developing new products in collaboration with foreign companies. We are proud to have succeeded in our application and tremendously grateful for the significant recognition and grant – the largest ever within the Innovasjon Norge programme.

19 October

BERGENBIO ANNOUNCES START OF COMBINATION TRIAL OF BEMCENTINIB WITH KEYTRUDA IN TRIPLE NEGATIVE BREAST CANCER

After multiple clinical sites across the US and Europe had been initiated, we were delighted to announce that the first TNBC patients had been dosed with bemcentinib in combination with KEYTRUDA under our clinical trial collaboration with Merck. The first patient in the bemcentinib-KEYTRUDA lung cancer study was dosed a week later. Patient enrolment into the first stage of the breast cancer trial was completed ahead of schedule in February 2018.

08 March

BERGENBIO ANNOUNCES CLINICAL COLLABORATION WITH MERCK & CO (MSD)

Merck, with its blockbuster immune checkpoint inhibitor therapy KEYTRUDA®, is a leader of the immuno-oncology revolution that has enabled – for the first time ever – some patients to be truly cured from their cancer.

These two Phase II studies are ongoing and accruing patients at sites in the US, Norway, UK and Spain.

07 April

BERGENBIO SHARES START TRADING ON THE OSLO STOCK EXCHANGE

At 9:00 am, Richard Godfrey, BerGenBio's CEO, together with representatives of the management team, Board of Directors and employees rang the bell at the historic Oslo Stock Exchange to herald the first day of trading of the Company's shares. This sunny morning marked an important and rewarding transition for the Company and all our employees.

08 August

BERGENBIO ANNOUNCES RESULTS FOR THE FIRST TIME AS A LISTED COMPANY

For the first time as a public company, we presented our financial results and the exciting operational progress from the clinical trial programme. We also used the opportunity to welcome Stein Annexstad as new Chair of our Board of Directors and thank Hilde Furberg for her efforts who, as former Chair, led us towards a new stage in our Company's history and who continues to contribute as a non-executive director.

16 October

BERGENBIO'S LUNG CANCER PORTFOLIO SHOWCASED IN THREE CLINICAL PRESENTATIONS AT THE WORLD CONFERENCE ON LUNG CANCER IN JAPAN

BerGenBio is exploring the potential of bemcentinib, our selective AXL inhibitor, as a potential cornerstone to cancer therapy across three drug combinations in lung cancer: in combination with the immunotherapy KEYTRUDA, the targeted therapy TARCEVA and the chemotherapy docetaxel. Updates on all three trials were delivered at this international lung cancer conference and have reported encouraging safety and early efficacy data.

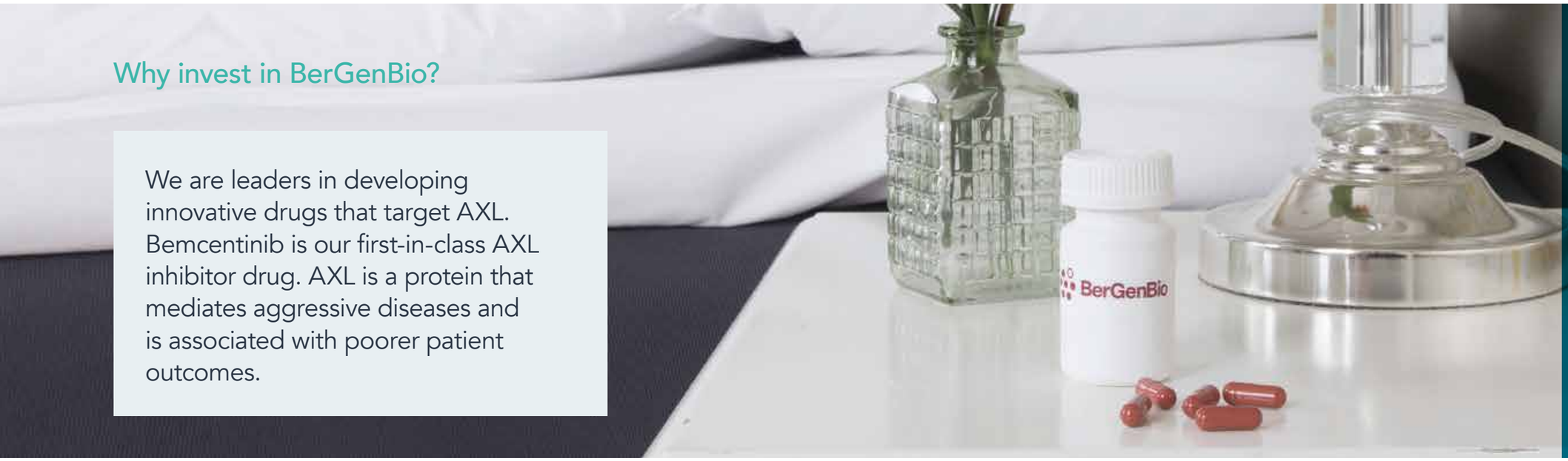
12 December

BERGENBIO PRESENTS CLINICAL DATA FROM ITS AML TRIAL HIGHLIGHTING BEMCENTINIB'S IMMUNOMODULATORY POTENTIAL

During the 59th Annual Society of Hematology (ASH) Congress in Atlanta, USA, we presented data from AML patients who had been treated with bemcentinib monotherapy and reported positive immune activation. These data strengthen our hypothesis that selective AXL inhibition with bemcentinib holds promise as a synergistic agent with established and emerging cancer therapies by combating immune suppression and evasion, one of the key traits of cancer aggressiveness and lethality.

Why invest in BerGenBio?

We are leaders in developing innovative drugs that target AXL. Bemcentinib is our first-in-class AXL inhibitor drug. AXL is a protein that mediates aggressive diseases and is associated with poorer patient outcomes.



Clinical benefit:

2 years

Durable responses reported in non-small cell lung cancer

Science

BerGenBio and collaborators are world leaders in understanding the role of the AXL receptor tyrosine kinase in driving aggressive disease.

AXL has emerged as an exciting new drug target in a multitude of aggressive cancers and other diseases over the past few years. Its role in driving aggressive disease has been demonstrated and thoroughly validated by many researchers worldwide. BerGenBio and collaborators frequently publish influential new findings in highly regarded journals and at leading conferences.

AXL is a hot new target as demonstrated by an increase in publications citing AXL's role in cancer over the past decade:

2300%

See our 'What we do' section for more information on page 08

Results

Bemcentinib has shown a favourable safety profile and durable responses.

Over 150 subjects have thus far received bemcentinib, an orally bioavailable selective AXL tyrosine kinase inhibitor. Bemcentinib, taken alone or in combination with targeted, chemo- or immunotherapy, has a confirmed favourable safety profile. In lung cancer and AML/MDS, promising efficacy has been observed as a single agent and in combination with targeted chemotherapy.

Some patients have experienced sustained clinical benefit with treatment durations lasting over:

2 years

For more information see NSCLC clinical trials on page 26

Potential

The clinical trial programme offers significant commercial promise in a multitude of indications.

BerGenBio's Phase II clinical trial programme focusses on non-small lung cancer (NSCLC), acute myeloid leukaemia (AML) and myelodysplastic syndrome (MDS) as well as melanoma and triple negative breast cancer (TNBC) which constitute a large target market. Further upside potential consists of additional AXL driven indications not yet pursued by the Company, the parallel development of a companion diagnostic as well as several additional pipeline assets.

The patient populations currently investigated represent a combined addressable market potential of over:

$20bn

For more information see our infographic on page 23

Strategy

Key proof of concept studies in high value indications underpinned by parallel companion diagnostics development.

BerGenBio retains all global rights to bemcentinib and maintains full strategic flexibility in relation to its future development and commercialisation. The proof of concept studies include high value indications that could be pursued alone or with a partner, potentially in defined patient populations based on a companion diagnostic which may further enhance probability for regulatory success. Predictive biomarker candidates have already been identified.

The ability to stratify patients significantly enhances the probability of clinical development success:

>3X

See our 'Strategic vision' section for more information on page 10

Patients

Bemcentinib is administrated as a once daily pill ensuring maximum convenience for patients.

Bemcentinib is a conventional pharmaceutical drug, manufactured as a simple oral pill, taken once daily. It has good pharmaceutical properties, straightforward manufacture and three years' shelf life.

Compliance assured by convenient oral administration:

Once daily

For more information see the development pipeline on page 12

Execution

BerGenBio has successfully translated the science of AXL into an ambitious and future proofed international Phase II clinical programme.

BerGenBio is a well resourced and experienced organisation with 35 staff across locations in Bergen, Norway and Oxford, UK. The Company runs its Phase II trial programme at more than 50 sites in Europe and North America including more than 350 patients. Key collaborators include Merck & Co. (MSD) with whom the Company conducts combination trials of bemcentinib with KEYTRUDA® that reported recruitment ahead of schedule. Frequent high quality presentations at key scientific and clinical congresses secure continuous news-flow.

Ambitious proof of concept clinical trial programme in four indications including:

>350 patients

Read the Chief Executive's statement for more information on page 16

My US experience taught me to bring my biomedical research results to patients through innovation. BerGenBio accomplished that. At BerGenBio we have translated many years of leading research around AXL's role in aggressive disease into a diversified clinical trial programme that already has benefitted a number of patients at medical centres worldwide. We hope to be able to bring innovative treatments to many more over the course of the next years.

James Lorens

Chief Scientific Officer (CSO)

Having completed my undergraduate and PhD at the University of Bergen, I then took a post-doctoral position at Stanford University in San Francisco. From there, I went on to a position as oncology research director at Rigel Pharmaceuticals Inc. where I gained valuable experience in durg development. I then returned to Bergen with my wife and four children to accept a professorship at the University of Bergen.

Here, I continued my research into aggressive cancers – insights that also formed the foundation for BerGenBio which my co-founder Dr David Micklem and I spun out of the university in 2007.

What we do

BerGenBio is a clinical-stage biopharmaceutical company focused on developing innovative drugs inhibiting AXL as a potential cornerstone therapy for aggressive diseases including immune evasive, drug resistant and metastatic cancers.

The Company's lead candidate, bemcentinib (formerly BGB324), is being advanced in an extensive global Phase II clinical development programme, designed to establish proof of concept that it can improve patient outcomes by reversing and preventing resistance to immunotherapy, targeted therapy and chemotherapy. Early signs of clinical efficacy have been reported in lung cancer and AML patients with some experiencing tumour regression lasting more than a year.

NSCLC monotherapy:

One year

of tumour regression and stable disease reported

Relapsed/refractory AML:

19%

monotherapy response rate with excellent biomarker correlation.

Six Phase II trials are ongoing across multiple cancer indications with high unmet medical need and data are expected during 2018. The outcome of these studies will inform future clinical development including optimum registration path and potential for accelerated approval and route to market.

BerGenBio is a world leader in understanding the role of AXL biology in aggressive diseases that are difficult to treat, particularly in cancer. A large volume of scientific evidence collected and published by BerGenBio researchers as well as by a multitude of independent academics worldwide clearly suggests that AXL mediates tumour intrinsic features of aggressiveness (drug resistance, immune evasion and spread) and concomitantly facilitates immunosuppression in the tumour microenvironment. AXL expression has been shown to be a negative prognostic factor for patient outcomes in a large variety of tumours.

Preclinical evidence with bemcentinib in combination with immune checkpoint blockade, targeted therapy and chemotherapy confirms bemcentinib's ability to increase the efficacy of these treatment modalities in vivo. Furthermore, early clinical results indicate that bemcentinib may resensitise (reverse acquired drug resistance) in patients who have ceased to derive benefit from both targeted and chemotherapy.

In parallel to the clinical development of bemcentinib, BerGenBio is developing a companion diagnostic, the objective of which is to identify patients whose disease is mediated by AXL and that may benefit from treatment with an AXL inhibitor such as bemcentinib; ideally future clinical trials will be enriched with patients that have been identified using this companion diagnostic and the Company hopes ultimately to pursue a personalised medicine approach when the drug and diagnostic are joint-marketed.

BerGenBio is also developing a humanised monoclonal antibody drug that targets AXL. It is anticipated that this will enter into clinical trials in 2018. Furthermore, the Company has partnered the development of an AXL antibody-drug conjugate (ADC) and has several further preclinical programmes at a research stage.

BerGenBio has leveraged its proprietary knowledge and first-in-class asset bemcentinb to establish international partnerships, including (i) a clinical trial collaboration agreement with Merck & Co. (MSD), a global pharmaceutical company, which is supplying its blockbuster immune checkpoint inhibitor KEYTRUDA® for two combination clinical trials with bemcentinib in advanced lung and breast cancer; (ii) a licensing agreement with Swiss biotech company ADC Therapeutics SA to develop and commercialise antibody drug conjugate drugs based on one of BerGenBio's preclinical anti-AXL antibodies; as well as (iii) clinical trial collaborations with key opinion leaders worldwide expanding the Company's own sponsored clinical trial programme.

BerGenBio's headquarters are in Bergen, Norway, where the Company was founded in 2007. BerGenBio recently established a clinical development and R&D team in Oxford, UK. The Company employs 35 highly qualified people across the two sites.

Phase II programme:

350 patients

enrolled across six different clinical trials in four different indications

Strategic vision

BerGenBio's strategy is to develop and commercialise bemcentinib, companion diagnostics and other pipeline assets, either alone or in collaboration with partners, through to global regulatory approval, marketing authorisation and reimbursement; potentially in defined patient populations predicted to receive most benefit from treatment with an AXL inhibitor.

Strategic near-term operational priorities therefore include (i) the demonstration of proof of concept of bemcentinib's efficacy across multiple cancer indications, including the current clinical investigations in lung cancer, breast cancer, melanoma and acute myeloid leukaemia, as well as (ii) the development of suitable companion diagnostics to predict patient benefit.

The Company also intends to advance BGB149, an anti-AXL antibody, into Phase I clinical trials during 2018.

BerGenBio retains all global rights to bemcentinib and maintains strategic flexibility in relation to its future development and commercialisation. The Company anticipates that the innovative biological mechanism of bemcentinib plus its promising therapeutic profile make it an attractive and potentially high value target for strategic co-development and partnering opportunities. The Company may also consider a "go-to market" strategy in select indications in discrete territories.

BerGenBio remains committed to extending its worldwide leadership position in understanding AXL biology as the foundation of its differentiated pipeline of novel AXL inhibitors. Relationships with leading academic and clinical research sites are therefore being continuously established and maintained to further strengthen this advantage.

Based on the above, the Company believes that it is very well positioned to deliver key clinical milestones during 2018 and prepare a clear regulatory route for bemcentinib in the years beyond. If positive, these data will provide important validation to support the potential of bemcentinib as a future cornerstone of cancer combination therapy that improves outcomes for patients and create multiple opportunities for BerGenBio and significant value for shareholders.

Our business model

BerGenBio intends to develop its drug candidates itself and through strategic partnerships in multiple indications, and retains all options for the future commercialisation of its products.

While the research and development strategy is designed in-house, the Company leverages its network of external contract research organisations ("CROs") to execute its development strategy. BerGenBio also collaborates with academic institutions to extend research in areas of interest of the Company. This approach allows the Company to quickly change research direction and effort when needed and to quickly bring in new technologies and expertise when necessary.

See our Board of Directors' report on page 58

Key strengths, resources and relationships

REPUTATION
world leader in AXL biology

IP
portfolio of patents granted and pending

FUNDING
well resourced to deliver milestones

PEOPLE
35 employees in Norway and the UK

COLLABORATION
with Merck & Co. (MSD)

RELATIONSHIPS
with external contract research organisations and academic institutions

Development pipeline

BerGenBio is developing a pipeline of selective inhibitors of AXL kinase and related signalling pathways. Our lead drug candidate is bemcentinib (formerly BGB324), a highly selective, potent and orally bioavailable small molecule inhibitor of AXL. An anti-AXL antibody, BGB149, is being prepared to enter clinical trials in 2018 and additional preclinical immunomodulatory small molecule programmes are in discovery stage.

BerGenBio has designed an extensive Phase II clinical development programme focused on establishing proof of concept that bemcentinib and AXL inhibition can increase the efficacy of immunotherapy, targeted and chemotherapy, thus positioning bemcentinib as a potential future cornerstone of cancer therapy in combination with these emerging and existing treatment modalities. Interim data readouts across the Phase II programme are expected during 2018.

In parallel with the clinical trial programme, BerGenBio is developing companion diagnostics, based on blood serum and tissue expression, to identify those patients most likely to derive benefit from AXL inhibition and for use as a future patient stratification tool to optimise and accelerate future clinical trials.

BerGenBio will consider further development options and route-to-market strategies based on the initial readouts, which are expected during 2018.

BGB149, a proprietary anti-AXL antibody, is expected to enter clinical trials in 2018 in a strategically independent indication. Scale-up of the antibody production process has been accomplished during 2017 as well as the necessary preclinical testing steps.

BGB601 is a partnered anti-AXL ADC, and is being developed by ADC Therapeutics, a Swiss biotech company with world class antibody drug conjugate technology.

Bemcentinib – A cornerstone of cancer combination therapy.
Early interim data reported meaningful clinical benefit and tumour responses in lung cancer and leukaemia patients.

Patients
350+

Key read-outs
2018

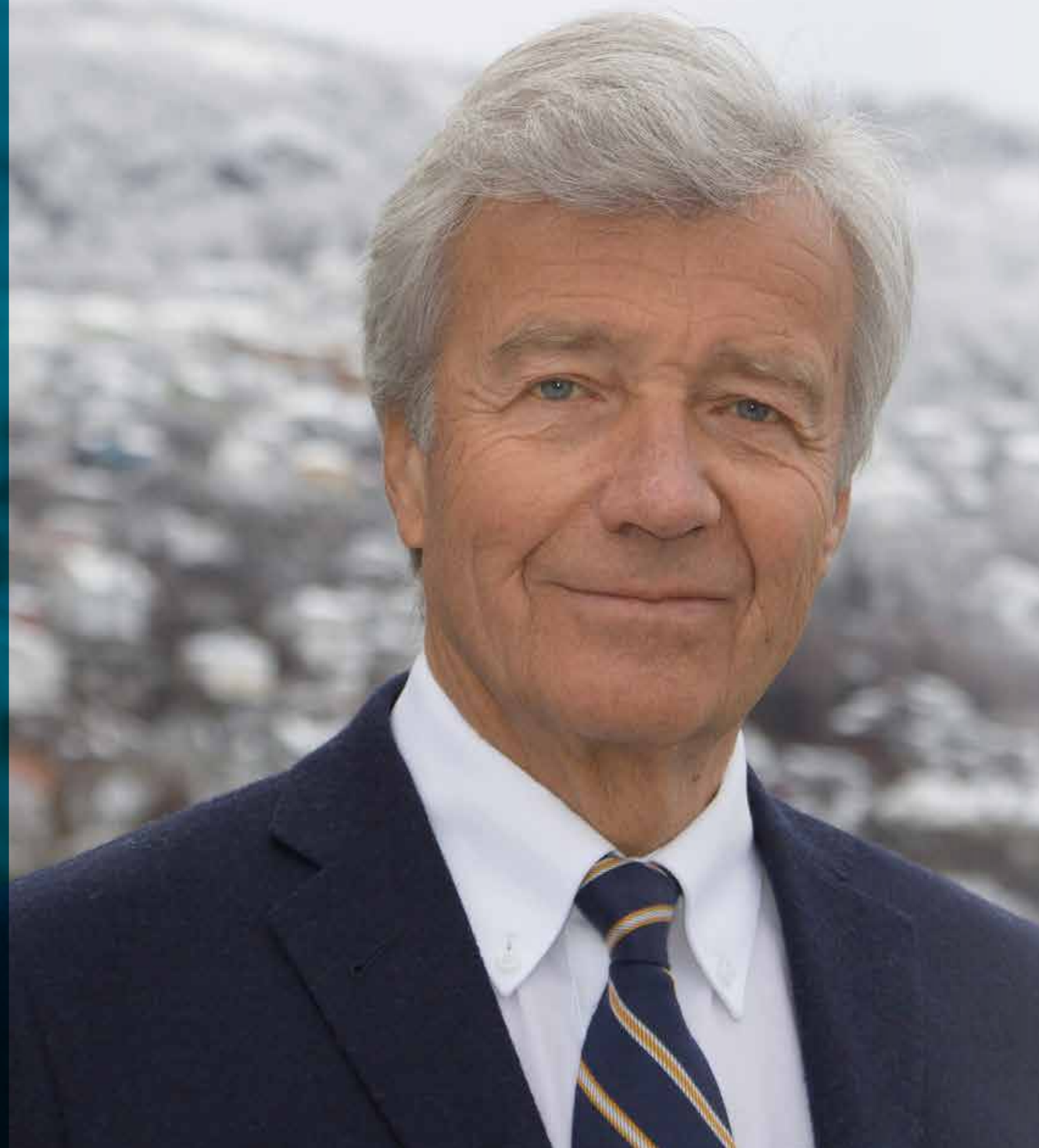
50
sites in Europe & North America

Advancing a broad clinical development pipeline

		Preclinical	Phase I	Phase II	Phase III
bemcentinib – AXL Kinase inhibitor					
NSCLC	Adenocarcinoma**	Phase II – combination with KEYTRUDA (pembrolizumab)		MERCK	
	Mutation driven	Phase Ib/II – combination with TARCEVA (erlotinib)			
	All comers*	Phase II* – bemcentinib in combination with docetaxel			
TNBC**		Phase II – combination with KEYTRUDA (pembrolizumab)		MERCK	
Melanoma*		Phase II* – bemcentinib in combination with current standard therapies,	inc. CPIs		
AML/MDS		Phase Ib/II – single agent / combination			
Antibody programmes					
BGB149	Oncology	Anti-AXL mAb			
BGB601 (partnered)	Metastatic cancer	ADC (ADC THERAPEUTICS)			
Discovery pipeline – small molecule inhibitors					
BGB002/BGB003	Oncology	Small molecule			
Companion diagnostics pipeline		**Biomarker discovery**	**Biomarker verification**		**Validation**
	Tissue/Blood	Small molecule			

* Investigator-sponsored trials
** Trials conducted in collaboration with Merck & Co., Inc. (Kenilworth, NJ, USA), through a subsidiary

Chairman's statement



Dear Shareholders

BerGenBio has established itself as the world's leading company in developing selective AXL inhibitors to treat diseases with high unmet need. The discoveries underlying our projects have the potential to give the Company's lead candidate bemcentinib a cornerstone position globally in the treatment of many of the most common cancer types.

In 2017, BerGenBio listed on the Oslo Stock Exchange. The timing was good. For the past ten years, BerGenBio's employees have been engaged in research and development, and the Company has been progressing quietly and according to plan. Important scientific milestones have been reached, and we now have a major Phase II clinical development programme with bemcentinib underway in several countries.

Bemcentinib, the unique candidate being developed, has the potential to improve the therapeutic effect of many types of cancer therapy and across multiple cancers.

The clinical trial programme is designed to highlight this capability in some of the largest and most difficult to treat cancers and offers a glimpse of the future opportunities for bemcentinib and BerGenBio.

This potential has not gone unnoticed resulting in a collaboration with Merck & Co., one of the world's largest and most innovative pharmaceutical companies and a global leader in immuno-oncology, a rapidly emerging and exciting area of cancer therapy. Therefore, we get to test bemcentinib in combination with the cutting-edge drug KEYTRUDA®. Combination trials in advanced lung and breast cancer are underway and interim results are expected during 2018 as planned.

A broad clinical programme is obviously expensive and challenging to drive forward and we are delighted with the progress the Company has made towards reaching new milestones in 2018 that can provide decisive answers.

For a small company to ensure progress with a clinical trial programme such as this while keeping costs under control requires strong leadership, professional organisation and skilled management. The established cooperation with leading players in cancer therapy, in industry, academia and clinical practice, is of great value and will be continued with great emphasis.

Designing route-to-market strategies and building strategic alliances to capture maximum value will be priorities during the coming year.

BerGenBio has advanced a long way during 2017. The Board wishes to thank the Company's management and employees for their hard work and for delivering such high quality. We look forward to the important milestones that will be achieved in 2018.

Stein Holst Annexstad
Chairman of the Board

> *Perfectly positioned to deliver strategic milestones to define the optimal development path for its pipeline to the benefit of patients and shareholders.*

Chief Executive's statement

The progress made in 2017 enables the Company to establish an exciting position for our lead drug candidate bemcentinib (formerly BGB324) as a potential cornerstone of cancer combination therapy. Early durable clinical responses reported in NSCLC and AML patients are very encouraging.

Bemcentinib is in six Phase II clinical trials involving up 350 patients at 50 sites in the US and Europe, and is the most advanced selective AXL inhibitor in clinical development. The team, working with our expert network around the world, has done very well to advance all the clinical programmes as per plan towards interim read-outs in 2018. We have already reported promising data from some of the trials and further positive data will support clinical proof-of-concept for bemcentinib, and for AXL inhibition as a potential backbone mechanism of action, for improved cancer therapy.

The interest within the pharma industry around AXL is increasing based on the pivotal role it plays in mediating cancer cell survival mechanisms that lead to drug resistance, immune evasion and spread. Elevated AXL levels are seen in multiple cancer types and correlate with a poor prognosis for patients, meaning that a selective AXL inhibitor may have benefit across many indications. Our clinical programme is designed to demonstrate this broad utility and importantly, to show that bemcentinib can be used to improve patient outcomes when used as a monotherapy or in combination with existing or emerging treatments.

An example of this strategy is in advanced lung cancer, the leading cause of cancer death worldwide, where we have three Phase II trials exploring bemcentinib in combination with the standard-of-care therapies: chemotherapy, targeted therapy and immunotherapy. The latter trial, combining bemcentinib with the blockbuster anti-PD-1 therapy KEYTRUDA® is under a 2017 collaboration with Merck & Co., a world leader in cancer immunotherapy. Some patients receiving bemcentinib alone or in combination have already reported clinical benefit for a year or more.

We believe that bemcentinib represents a major opportunity as a future cornerstone of cancer combination therapy to provide improved outcomes for patients.

In parallel with our clinical trials, BerGenBio has advanced its AXL-based companion diagnostic programmes during 2017, which offer the potential to identify patients who are predicted to respond well to bemcentinib. Furthermore, BerGenBio has made solid progress with its second product BGB149, an anti-AXL antibody, which is expected to enter clinical trials in 2018.

We have used our strengthened financial position following IPO to build out the organisation and facilitate our operational and administrative activities to a high professional standard. At the same time, we remain focused on delivering the clinical data during 2018 that we hope will support the further development of this exciting candidate and enable us to generate and capture significant value.

I would like to thank all at BerGenBio and our global collaborators for their efforts, and our shareholders for their support. We are all looking forward to an exciting 2018.

Richard Godfrey
Chief Executive Officer

> *"I am delighted to report on a very successful year for BerGenBio, based on strong operational progress where we have met all our strategic milestones across our clinical and R&D programmes as set out at the time of our IPO in April and have futhermore already seen some patients benefiting from our innovative drugs."*

“As a clinical investigator, as a cancer researcher, I truly enjoy and appreciate working with BerGenBio. As a company it is very responsive, it is inquisitive, it is flexible, it is timely, and these are the characteristics that allow for true meaningful collaboration between pharma/biotech and academia.”

David Gerber, principal investigator of BGBIL005, an investigator-initiated Phase I/II study of bemcentinib in combination with docetaxel chemotherapy in NSCLC.

1. How do you see the treatment of lung cancer evolving over the coming years?

   I think that we are going to see continued advances in the molecular characterisation of the disease and an increase in the ability to provide personalised treatments. I think that this new knowledge will be used not only at the time of diagnosis but also throughout the course of treatment now that we have learned that the molecular landscape of a patient’s lung cancer can change over time. We will probably see an increase in multi-modality treatment of advanced cancers, medical therapies such as targeted therapies and immunotherapy that is increasing in importance, but also local therapies such as radiation. We have seen combination therapy efficacy in a number of scenarios, and I think the key with combinations is that they will be well tolerated and that they will be focused on patient populations with patients that are most likely to benefit.

   We may also eventually see a shift in the stage distribution of lung cancer if screening efforts continue to expand. Right now, about 75% of lung cancers are diagnosed at locally advanced and metastatic stage and with screening we may see more early stage cancers.

2. If bemcentinib performs well in trials how do you think it will fit into future treatment regimens?

   I think the answer to this question depends on where we will see bemcentinib performing. We are investigating really important areas in the studies that we are currently leading, looking at molecular subsets of EGFR mutated lung cancer or lung cancer that is treated with conventional chemotherapy. It is important to remember that most patients with lung cancer will eventually be treated with chemotherapy and for most patients, the benefit from chemotherapy is suboptimal. Therefore, we are very excited about our study combining bemcentinib with chemotherapy. I think that other trials combining bemcentinib with immunotherapy may yield exciting results, it will be exciting to see the results of the ongoing trials with bemcentinib in combination with KEYTRUDA®.

3. In your opinion, what are the most attractive features of bemcentinib for patients?

   A main advantage is that bemcentinib appears to be well tolerated, a fact that makes the combination of bemcentinib with immunotherapy, other targeted therapies or with chemotherapy more feasible than combinations of other drugs where side effects may overlap.

   Another important feature is that the drug is orally bioavailable in simple pill form with a straightforward schedule, taken once each day. This allows an outpatient setting that reduces hospital costs and gives the patient an opportunity to receive treatment in the comfort of their own home.

4. From your perspective as a doctor what are the most attractive features of bemcentinib?

   The clinical benefits are similar to the patients’ benefits: it is convenient and relatively well tolerated. The fact that bemcentinib is orally bioavailable and easy to monitor makes it very attractive, both for use in clinical care and since it makes the clinical studies of the drug more feasible.

   One other characteristic that obviously makes bemcentinib very interesting is the attractiveness of the drug’s molecular target. Each year new data is published highlighting AXL’s important relevance to cancer initiation, proliferation, metastasis and in mechanisms of resistance.

5. What do you hope to see from the trials? Can you give examples of patients where a big difference has been seen?

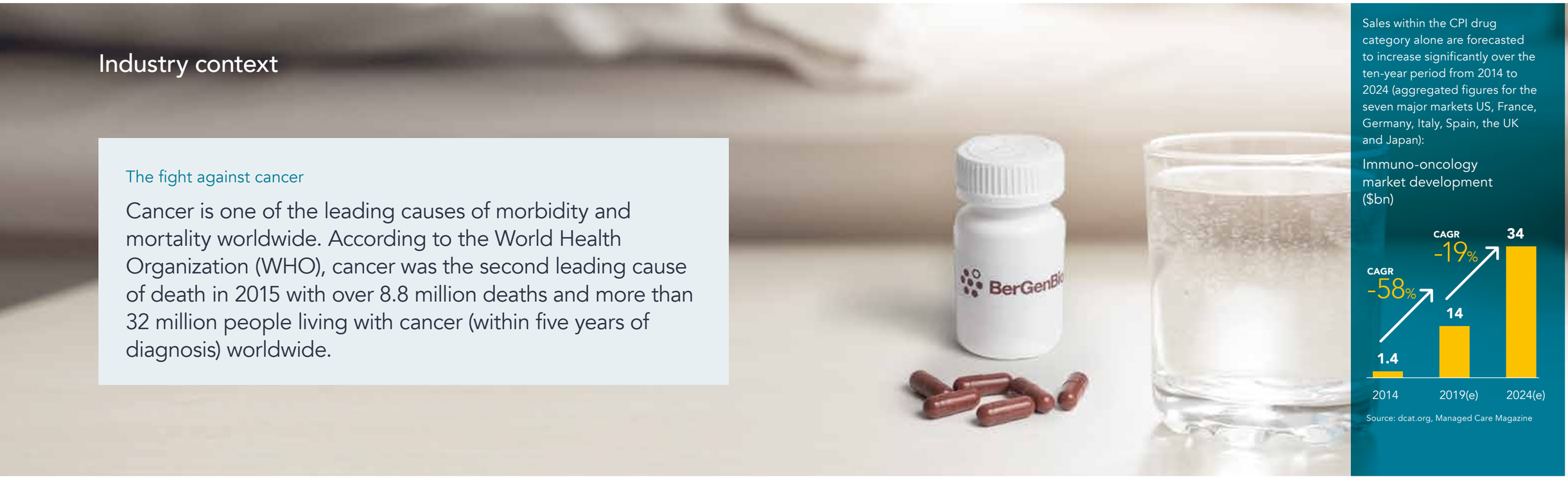
   I am very enthusiastic about what we have seen in our combination chemotherapy study. Some of our patients have been on the treatment for a long time, which tells us two things: the drug is well tolerated, and it is working.

David Gerber

David E. Gerber, MD is a Professor of Internal Medicine and Clinical Sciences at UT Southwestern Medical Center in Dallas, TX. He received his medical degree from Cornell University Medical College and completed a fellowship in medical oncology at Johns Hopkins University School of Medicine (Baltimore, MD).

Dr Gerber’s research in lung cancer has generated over 120 peer-reviewed publications. He has also written two books and more than a dozen book chapters on the topic. He also served on the editorial board of the *Journal of Clinical Oncology*, as an associate scientific advisor for *Science Translational Medicine*, and as a grant reviewer for the Department of Defense, the American Cancer Society, and the Conquer Cancer Foundation of the American Society of Clinical Oncology.

Industry context



The fight against cancer

Cancer is one of the leading causes of morbidity and mortality worldwide. According to the World Health Organization (WHO), cancer was the second leading cause of death in 2015 with over 8.8 million deaths and more than 32 million people living with cancer (within five years of diagnosis) worldwide.

Sales within the CPI drug category alone are forecasted to increase significantly over the ten-year period from 2014 to 2024 (aggregated figures for the seven major markets US, France, Germany, Italy, Spain, the UK and Japan):

Immuno-oncology market development ($bn)

Source: dcat.org, Managed Care Magazine

In 2018, cancer accounts for about one in seven deaths worldwide and by 2030, the American Cancer Society expects the global cancer burden to grow to 22 million new cases per year with 13 million cancer deaths due to growth and aging of the population.

While cancer burden remains high, over the past decade a significant paradigm shift occurred in the approach to cancer care with an emphasis on personalised and targeted therapies, biomarker-directed drugs and rational combination therapy regimens. This significant evolution in treatment results from our expanding knowledge of the molecular mechanisms and biology underlying cancer as well as continuous improvements in translational research.

The global cancer market: A large and growing opportunity

Oncology is the world's largest therapeutic area based on sales. With a high number and diversity of cancer types, the oncology market is highly diversified. A treatment course will depend on the type and stage of the cancer, as well as medical history of the individual patient. For some patients, the overall goal of treatment may be to cure the disease, while for others it may be to relieve suffering.

Traditionally, the most common treatments have been, among others, surgery, chemotherapy, radiation therapy and hormone therapy. In recent years, however, approaches such as targeted therapies and immunotherapy have become increasingly relevant. With respect to the last two-year period, the regulatory approval, commercial launch and increased acceptance among physicians of various immunotherapies may be considered as the most significant change in the market relevant for BerGenBio.

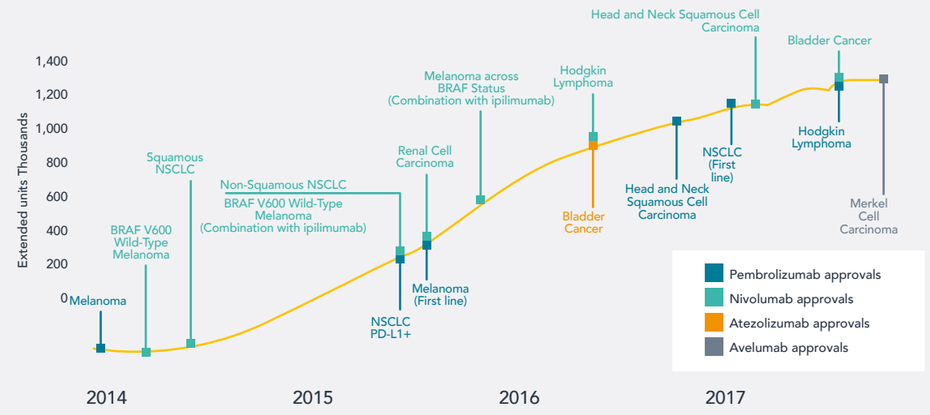
The global oncology market reached USD 121 billion in 2017 and is expected to grow with a compound aggregate growth rate ("CAGR") of 7.4% to reach USD 173 billion by 2022[1].

According to a report published by Citi Research, immunotherapy is one of the fastest growing areas within oncology R&D, forecast to make up 60% of all cancer management regimes in the developed world by 2023. This is estimated to represent a potential revenue opportunity for the biopharmaceutical industry in excess of USD 35 billion.

1 QuintilesIMS

The Rise of Immuno-oncology (IO)

Immunotherapy is a key driver for the expected growth in oncology sales. Substantial and practice-changing breakthroughs have been achieved during recent years in this therapy class, first and foremost through the approval and commercial launch of immune checkpoint inhibitors ("CPIs"). Notably, PD-1 and PD-L1 inhibitors have witnessed a rapid uptake based on their striking clinical profile and approval for multiple cancers. Five drugs within this class (ipilimumab, pembrolizumab, nivolumab, atezolizumab, avelumab) have now been approved and continue to be developed further across multiple indications.



Source: U.S. FDA, QuintilesIMS, National Sales Perspectives, Feb 2017; QuintilesIMS Institute, Apr 2017.

Industry context continued

Biomarker-directed approaches and combination therapy are the future of cancer care

Despite the success of immuno- and targeted therapies, challenges still remain in cancer care. For example, only a relatively small percentage of patients eligible for immunotherapy respond to checkpoint inhibitor monotherapy therapies. Therapies targeted at specific mutations as for example EGFR and BRAF directed treatments on the other hand are characterised by high initial response rates which, however, are typically short lived due to the evolution of acquired resistance. A similar tendency can be observed for more traditional chemotherapy regimens.

Biomarker-directed therapies to characterise subpopulations of cancer are expected to result in higher response rates and enabling the design of rational combination therapies to prevent acquired resistance and improve durable response rates. Trials using biomarkers to predict patient response are gaining increasing significance in the clinical trial landscape and nearly 11% of ongoing late-phase trials use biomarker based segmentation.

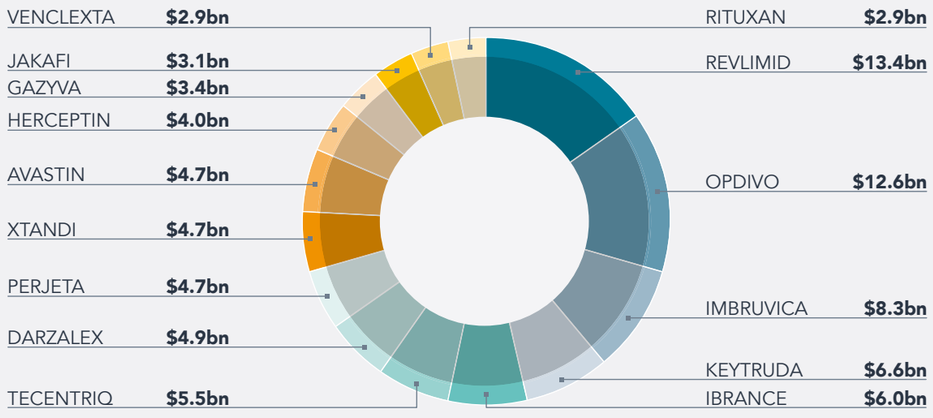
What is more, clinical programmes underpinned by a companion diagnostic have been shown to gain marketing approval at higher rates which reduces the risk and increases the return on such biomarker directed clinical development.

Importantly, for the first time ever, a biomarker-defined (as opposed to strictly organ defined) indication achieved regulatory approval from the FDA in 2017 exemplifying the important strategic role that biomarkers are starting to occupy within clinical development and regulatory strategy. The approval of KEYTRUDA for use in cancers defined by a certain type of genetic condition therefore marked a tremendous shape shift within oncology drug development while also cementing this anti-PD-1 therapy's lead in the field of checkpoint inhibitors and immunotherapy at large.

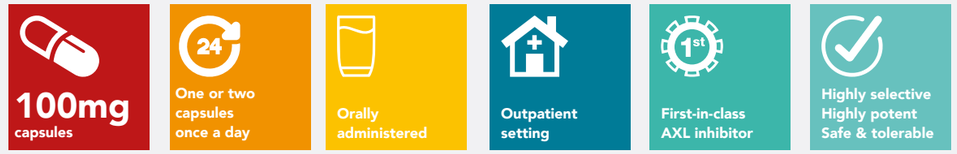
BerGenBio's companion diagnostics programme running in parallel to the clinical development is hence an important competitive advantage aimed at increasing chances of delivering maximum benefit to patients.

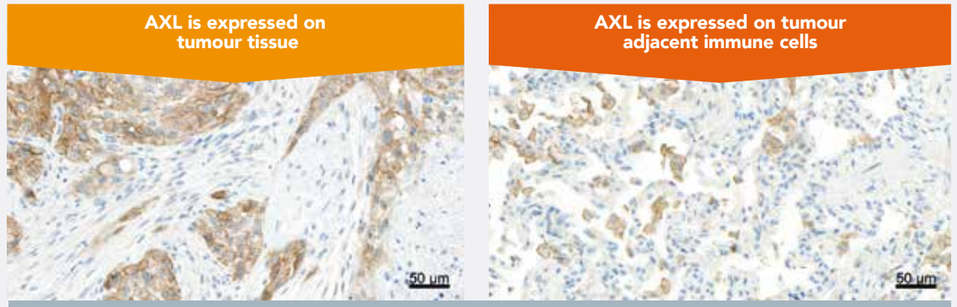
Combination therapy is another major trend in oncology further personalising and increasing efficacy of cancer treatment. The aim of combination is to address non-redundant pathways thus increasing efficacy while retaining a favourable safety profile. BerGenBio's bemcentinib has been rationally designed to be highly selective hence reducing additive safety concerns while targeting a unique pathway of tumour intrinsic immune escape as well as immunosuppression in the tumour immune microenvironment. Bemcentinib is thus perfectly placed to be explored in drug combinations, particularly combining with immunotherapies, to combat mechanisms of resistance and prolong durable response rates.

Targeted and immunotherapies projected to become top-selling oncology drugs in 2022



Bemcentinib – first-in-class selective AXL inhibitor



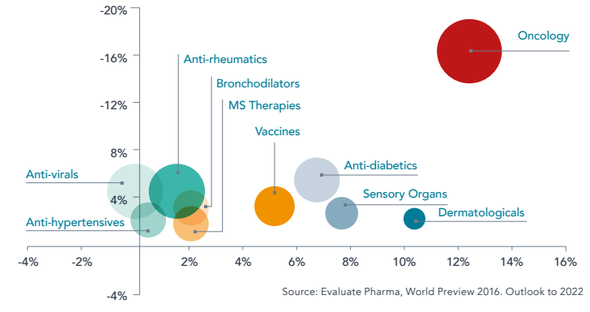


Blocking AXL activity represents a novel cornerstone approach to cancer therapy by making tumour cells visible to the immune system and more susceptible to treatment with current standard of care

Bemcentinib combination synergies – unique benefits

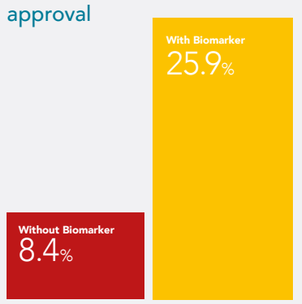
- Re-sensitises tumour cells to chemotherapy
- Prevents and reverses acquired resistance to targeted therapies
- Counteract immunosuppression and may enhance immune checkpoint blockade

Expected top 10 therapeutic areas in 2022



Source: Evaluate Pharma, World Preview 2016. Outlook to 2022

Likelihood of a Phase I asset to achieve regulatory approval



BerGenBio companion diagnostics programmes designed to predict patients likely to benefit from bemcentinib therapy.

Selected patients most likely to benefit from treatment

Improving probability of approval

Increase reimbursement rates

“I am very pleased to see that bemcentinib is very well tolerated, especially in this frail patient population. I have patients who have been on treatment for several months and one current patient that has received over 30 weeks of treatment.”

Sonja Loges is lead investigator for BGBC003, a Phase Ib/II study of bemcentinib alone or in combination with chemotherapy in AML and MDS patients.

1. Can you describe the patient population included in the trial?

   The patient population included in the BGBC003 trial with bemcentinib consists of elderly and highly pre-treated treatment-refractory patients with acute myeloid leukaemia who had no other treatment option as well as treatment-refractory patients with high-risk MDS.

2. How do you interpret the results seen so far?

   The main goal of the first-in-patient Phase I trial is to investigate safety of the new drug, and I am very pleased to see that bemcentinib is very well tolerated, especially in this frail patient population. The vast majority of side effects observed were mild and easily manageable with supportive care. I have patients who have been on treatment for several months and one current patient that has received over 30 weeks of treatment.

   We have evidence of anti-leukaemic efficacy and some patients showed a response to bemcentinib therapy. We also had several patients in whom we observed a stabilisation of the disease for periods longer than four months. It is important to bear in mind that treatment refractory AML is a very aggressive disease, I am very happy to see that some patients responded, and I really hope that we can move bemcentinib to a first line treatment in AML. With bemcentinib in combination with chemotherapy or hypomethylating agents, I would hope to see even better results.

3. Are there any results that have surprised you? What is the best response you have seen?

   I find it encouraging that some patients responded to the treatment, which is definitely not given in this frail and treatment-resistant patient population.

   In addition, upon treatment with bemcentinib monotherapy, we see a substantial diversification of the T-cell repertoire in six out of eight patients. The T-cell repertoire is a surrogate marker for ongoing T-cell immune response and what is quite surprising is that this diversification is higher in the bone marrow compared to blood. This might indicate a specific activity of AXL signalling in the bone marrow to suppress T-cell activity. This is indeed very interesting and is currently fuelling further research in my lab.

4. How important could bemcentinib be, based on its modality (and results)?

   Based on previous results and based on its mode of action, bemcentinib has a triple effect and could be of great importance in future combinational treatment of cancer. The first is the direct effect on the leukaemia cells where bemcentinib interrupts AXL signalling and inhibits tumour cell proliferation and the cells’ ability to resist chemotherapy induced apoptosis, for instance. The second is that bemcentinib can activate anti-AML immune responses; and the third is that it can decrease drug resistance based on the mechanism whereby AXL becomes up-regulated upon anti-cancer treatment.

   This activity appears to be present not only in AML but also in other solid malignancies, where AXL mediates a general resistance (or survival) pathway that cancer cells activate upon treatment with chemotherapy and molecular targeted therapies.

   In the future, I hope that AXL inhibitors could be tested as first line treatment of AML, in a patient population eligible for intensive treatment as I am convinced it would be of benefit.

Prof. Sonja Loges

Prof. Sonja Loges, MD, PhD is Professor of Medicine in the Department of Hematology and Oncology, University Medical Center Hamburg, Germany. She is board certified in Internal Medicine, Hematology and Oncology, and gained an MD and a PhD in biochemistry and molecular biology, both from the University of Hamburg.

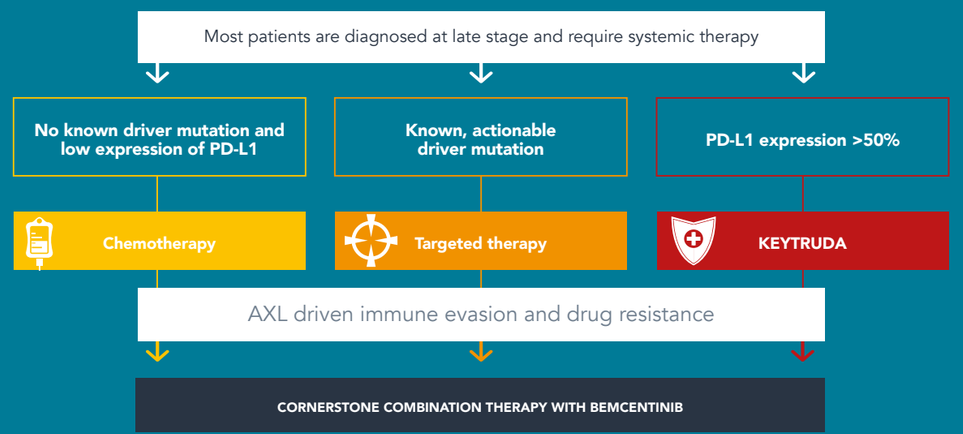
Prof. Loges leads a research group focused on unravelling the interaction pathways between tumour cells with bone-marrow-derived cells both at the site of primary tumours and within the bone marrow. The research goals are to identify novel targets potentially useful to improve anti-cancer therapies alone and in conjunction with established therapies.

Prof. Loges has published more than 50 research articles in peer-reviewed journals, she received prestigious research grants including a Heisenberg Professorship (German Research Council) and a Starter Grant by the European Research Council (ERC), she is scientific reviewer for several leading journals including *Blood*, *Leukaemia*, *Nature Communications*, *Journal of Clinical Investigation* and *BMC Cancer*; and is a member of the American Society of Clinical Oncology and the German Society of Hematology and Oncology.

Clinical trials: Strategy and status in advanced lung cancer

Cancer remains as one of the leading causes of morbidity and mortality worldwide. According to the World Health Organization (WHO), cancer was the second leading cause of death in 2015 with over 8.8 million deaths and over 32 million people living with cancer (within five years of diagnosis) worldwide.

Potential for bemcentinib to become a cornerstone therapy for NSCLC



Bemcentinib is being developed as a potential cornerstone therapy for aggressive and lethal cancers, i.e. those that evade the immune system and are drug resistant and/or metastatic.

AXL has been shown to play an essential mediator role in mechanisms that drive these aggressive behaviours and its expression has been shown to be a negative prognostic factor in a large variety of tumours. In particular, there is compelling evidence of AXL's role in lung cancer progression and response to therapy providing a solid scientific rationale for the investigation of bemcentinib combination regimens in this therapy area.

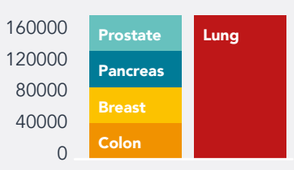
Lung cancer is the largest cause of cancer death globally, accounting for 160,000 deaths in 2010[1], equivalent to all deaths from pancreatic, breast, colon and prostate cancer combined.

Over 230,000 new cases are expected to be recorded in the US in 2018 – over 80% of which will be of non-small cell histology (NSCLC). The global market for NSCLC therapeutics is expected to grow to USD 12 billion in 2025.

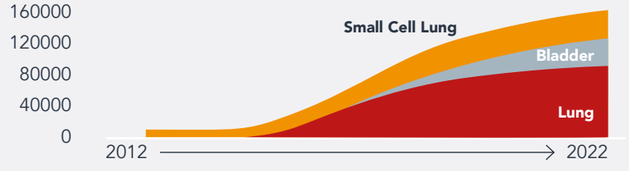
Bemcentininb is being developed as a cornerstone of treatment for NSCLC by combining it with the indication's three major current standard-of-care therapies: immunotherapy, targeted and chemotherapy. Across three Phase II trials, bemcentinib is being evaluated in combination with the immunotherapy KEYTRUDA®, TARCEVA®, a targeted therapy directed against the epidermal growth factor receptor (EGFR) frequently mutated in cancers such as NSCLC, and docetaxel, a chemotherapeutic agent.

Each of the treatment modalities under evaluation are currently used as a first or second line systemic treatment option for a large proportion of NSCLC patients. Furthermore, patients who relapse after receiving immunotherapy, targeted therapies or the chemotherapy paclitaxel, where the treatment was ineffective or the tumour has become resistant, will inevitably receive docetaxel chemotherapy in later lines of treatment. The Company intends to define the further development strategy for each regimen once trial results are known.

Lung cancer fatality comparison



Lung cancer is a driver for anti-PD-1 therapies sales forecast



1 American Cancer Society, Cancer Facts and Figures 2010

About Innovation Norway's strategy in health innovation:

Successful health innovation has a triple positive effect. For the patient, improved medicine, treatment and care will give a better and longer life. The society benefits from having more resource effective health services. More people will stay in their jobs longer, which is important when people live longer, and fewer people will need to pay for more people's public costs. The industry benefits when they can develop and sell the world's best solutions to central health challenges and needs. The Norwegian health industry can contribute through jobs, value creation and export.

Hanne Mette Dyrlie Kristensen
Senior advisor

Nina Broch Mathisen
Director (Vestlandet)

We are very impressed by the innovation demonstrated by BerGenBio in a highly competitive, global market. The health sector is one of Innovation Norway's focus areas. Even though the project has high risk, the expectations for value creation in this sector are higher for projects that succeed. The project is a good example of innovation in cooperation with demanding customers.

We see that the health industry has the potential to become a solid part of our future robust and diversified industry. We are supporting a Phase II study of bemcentinib in combination with KEYTRUDA and are looking forward to seeing the results.

Clinical trials: Strategy and status in advanced lung cancer continued

	Description	Key Facts	Market Size
Bemcentinib in combination with KEYTRUDA® (pembrolizumab) Internal ref. BGBC008 NCT03184571	BGBC008 is a two-stage, open-label, single-arm, international and multi-centre Phase II study to assess the anti-tumour activity of bemcentinib in combination with the anti-PD-1 antibody KEYTRUDA in up to 48 patients with previously treated, advanced NSCLC. Results to date: The bemcentinib/KEYTRUDA combination was well tolerated by patients with a safety profile similar to that reported for KEYTRUDA alone. Patient recruitment is advancing as planned and a preliminary efficacy read-out is expected during mid 2018. Plan post positive data: If the ongoing study is positive it will support a randomised comparison of bemcentinib in combination with KEYTRUDA versus KEYTRUDA alone.	CPIs, such as KEYTRUDA, show very good effect in a limited proportion of cancer patients who have high PD-L1 levels. However, the majority of cancer patients still do not respond to CPIs. Research suggests that AXL plays a significant role mediating tumour cell immune evasion seen in patients that do not respond to the CPI and preclinical experiments in models of lung and breast cancer show that bemcentinib significantly improves the response to CPI therapy. Inhibiting AXL signalling with bemcentinib could significantly enlarge the patient population that responds to the CPI and improve patient outcomes.	Market size: The number of total prevalent cases of NSCLC in the US, Japan, and five major EU markets is expected to increase from 723,245 to 843,366 between 2016 and 2025. This rise will contribute to the increase in sales of drugs used in NSCLC over the forecast period. Sales of PD-1/PD-L1 inhibitors in NSCLC are forecast to total over USD 12.1 bn in 2025, comprising approximately 58% of the overall NSCLC market.
Bemcentinib in combination with TARCEVA® (erlotinib) in advanced EGFR mutation driven NSCLC Internal ref. BGBC004 NCT02424617	The BGBC004 trial is a two-stage, multi-centre open-label Phase Ib/II study to assess bemcentinib in combination with TARCEVA in up to 66 patients with advanced EGFR mutation-driven NSCLC in both first and second line settings (to prevent and reverse acquired resistance to TARCEVA, respectively). Results to date: The Phase Ib portion of the trial (Arm A) assessing the safety of the drug combination was successfully completed showing that bemcentinib may be administered safely in combination with TARCEVA. The ongoing Phase II portion of the trial consists of two Arms (B and C) and is designed to test the hypothesis that bemcentinib can reverse and prevent resistance to EGFR-targeted therapy, respectively. In January 2018, the first efficacy endpoint was met in Arm B, which addresses the particularly hard-to-treat patient population which has progressed on approved EGFR therapy but is negative for the T790M resistance mutation. There are currently no treatment options available to these patients other than chemotherapy. Reintroduction of the EGFR inhibitor TARCEVA in combination with bemcentinib led to an overall disease control rate of 33% at six weeks in a total of nine patients. Two of nine patients achieved a best response of stable disease and one patient exhibited a partial response; at the time of writing, two patients remain on treatment.	The fraction of NSCLC patients with mutations in the EGFR gene accounts for 18–36% of NSCLC patients, making it the largest actionable mutation in this indication. Virtually all patients develop resistance over time and newer generations of EGFR inhibitors (e.g. TAGRISSO® osimertinib) are being developed. A large body of preclinical evidence in models of NSCLC have linked resistance to EGFR-directed therapy with AXL activation rendering bemcentinib a promising new treatment strategy to combat resistance.	EGFR mutant lung cancer is generally more common in females and is not correlated with smoking. In 2017, there were approximately 100,000 patients with non-squamous EGFR mutant NSCLC actively being treated with drugs in the seven major markets. According to Datamonitor physician surveys, this population is projected to remain stable with a minor increase to about 114,000 patients by 2024.
Bemcentinib in combination with docetaxel Internal ref. BGBIL005 NCT02922777	BGBIL005 is an investigator-initiated Phase I/II study to assess bemcentinib in combination with docetaxel chemotherapy in previously treated, relapsed/resistant NSCLC patients. Results to date: Clinical data from the first cohort of patients found that combining bemcentinib with docetaxel was manageable. Two out of six patients achieved a partial response, of 44% and 31% tumour shrinkage, one further patient had prolonged disease stabilisation for ten cycles with evidence of tumour shrinkage and one patient had stable disease for five cycles. Patient recruitment is ongoing with further readouts expected during 2018.	First-line chemotherapy in NSCLC is indicated for patients not suitable for targeted or immunotherapy, and typically consists of a platinum-based regimen including paclitaxel. In later-line settings, chemotherapy is used palliatively in patients who have progressed on targeted and/or immunotherapy. In these cases, docetaxel is commonly used, however, response rates are lower than 10%. Early research in vivo models of NSCLC and other indications suggests bemcentinib has potential both as an immunomodulatory agent and to prevent and reverse resistance to docetaxel.	In 2014, the cytotoxic chemotherapy market accounted for 55% of NSCLC treatment in the US, which amounts to approximately USD3bn. The forecast for markets in 2024 projects a decline for cytotoxic agents, with chemotherapy holding 9% of the total market share in the US. This decline coupled with the rising price of prescription drugs puts the market size at roughly USD1.2bn in 2024.

“I am looking for a complementary or synergistic effect of the combinations that could potentially improve efficacy.”

Oddbjørn Straume is the sponsor-investigator of the investigator-initiated randomised Phase II trial with bemcentinib in combination with MEKINIST plus TAFINLAR or KEYTRUDA in advanced melanoma.

1. What is the current first-line treatment landscape in melanoma patients?

   The first-line treatment landscape in patients with melanoma has changed dramatically over the past ten years. It used to be based on chemotherapy, once the best and only treatment option, and is now centred on immunotherapy and targeted therapy. I am the principal investigator in a Phase II clinical trial investigating bemcentinib in combination with standard of care. In this study the control arm includes patients undergoing either immunotherapy such as KEYTRUDA or targeted therapy such as TAFINLAR and MEKINIST (TAF/MEK).

2. How do you see the treatment of melanoma evolving over the coming years?

   I believe that today’s treatment regimens will be used as first-line treatment for several years to come. We currently see a lot of studies on immunotherapy either as single agent or in combination with other immunotherapy; there are high hopes that combination treatments will lead to improved outcomes for cancer patients.

3. What is your main expectation from this combination study?

   Based on the findings from previous studies, I expect to see a good safety profile for the combinations, e.g. with only a minimal side effect overlap between the therapies. I am also looking for a complementary or synergistic effect of the combinations that could potentially improve efficacy. Since the Centre for Cancer Biomarkers (CCBio, Centre of Excellence at the Faculty of Medicine, University of Bergen, Norway) is highly involved in the study, it is also of great importance for us to investigate any biomarkers with potential to help us identify the patients that see clear benefit from bemcentinib therapy.

4. How does TAF/MEK work and how does bemcentinib complement this treatment?

   TAF/MEK induces cellular signals activating the mutant BRAF protein while inhibiting cell proliferation and inducing apoptosis (death) of the melanoma cell. Several studies last year have shown that combination treatment with bemcentinib, which inhibits AXL signals, could tackle the drug resistance that may occur when patients are treated with TAF/MEK.

5. What results have you seen so far from this study?

   The study has only been running for about one year, with 20 patients up until now recruited, so it is still very early to report on results. We can say that the combination therapies seem to be well tolerated so far, one of the patients has been on treatment for as long as a year. The patient recruitment is still ongoing.

6. Do you expect results in melanoma to provide insight more broadly across other indications?

   Yes, the data from the part of the clinical trial where the combination of immunotherapy and AXL inhibitor is studied will most likely be relevant for other indications.

Oddbjørn Straume

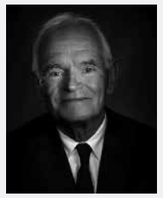
Dr Oddbjørn Straume is a consultant oncologist at Haukeland University Hospital and associate professor, University of Bergen Centre for Cancer Biomarkers. Dr Straume has a background in medical oncology with special interest in cutaneous melanoma, renal cancer, and breast cancer. Straume’s research group focuses on clinical cancer research. He received his medical degree and PhD from the University of Bergen.

Status of clinical trials in other indications – demonstrating broad applicability

BerGenBio's Phase II clinical development programmes with bemcentinib in other cancer indications are also progressing, with interim read-outs expected during 2018.

The additional indications were selected based on commercial attractiveness and a correlation of high AXL expression with poor prognosis to current treatment options. In addition, success in these trials will provide significant support to the universal potential of bemcentinib as a key component of combination therapy across multiple cancers. The Company intends to define the further development strategy for each regimen once trial results are known.

Meteva – Largest owner in BerGenBio ASA



Trond Mohn
industrialist, philanthropist and sole owner of Meteva AS

Trond Mohn is a Norwegian industrialist and philanthropist. He holds The Royal Norwegian Commander of the Order of Saint Olav and holds honorary doctorates from the University of Bergen and the University of Tromso. Trond Mohn and the Mohn family are the donators behind Bergen Research Foundation (BFS), the largest private foundation funding research in Norway. Trond Mohn is one of the wealthiest individuals in Norway and Meteva AS is his fully owned company.

Trond Mohn has engaged actively in fighting the burden of cancer through large donations to research and state of the art clinical equipment and facilities in Bergen, Tromsø, Trondheim and Stavanger. BFS has followed on supporting massive interdisciplinary research programmes in collaboration with Norwegian universities and university hospitals. The wider ecosystem is stimulated by investments from both Meteva and BFS into life science start-up/seed and venture funds and of course Meteva's substantial investment in BerGenBio ASA. Meteva´s engagement in BGB has played a crucial role over the last seven years in helping the transition from a discovery/preclinical phase company to a listed company with a world class clinical I/O programme.

Meteva is proud to recognise the unique position BerGenBio has achieved as a leader in one of the fiercest competitive science fields there is. All based on a start-up company from Bergen, Norway, with excellent science, excellent people and high-calibre investors with a clear vision. However, most important is the clinical value BGB is set to bring to treating aggressive cancer. Helping get the best treatment to patients as fast as possible has all along been at the top of our minds. BGB's importance to the Bergen Life Science community and the Norwegian eco-system can hardly be overrated. We are proud to play our part.

About Investinor's investment and value creation strategy

Jon Øyvind Eriksen
Investment Director at Investinor

Investinor is a Norwegian government funded venture capital firm and represents the largest venture investor in Norway. Investinor's investments are focused on sectors with high potential in which the team has deep knowledge and extensive operational experience. Investinor invests in selected private companies with the potential to become global leaders in their field. The health sector is one of its main investment areas.

Investinor supports its portfolio companies with strategy development, fund raising, value creation and value realisation for the owners. Investinor made its initial investment in BerGenBio in 2012 and has led four investment rounds in the Company. The Investinor team executes its value creation strategy for the Company as active owners, by serving as members of the Company's Board of Directors, and as chairs of the Nomination and Audit Committees.

We are truly impressed by BerGenBio, and what the team has achieved. From a modest start in Norway, the Company is emerging as a world leader in its field, by understanding the essential role of AXL kinase in mediating cancer spread, immune evasion and drug resistance in multiple cancer indications. Its lead drug candidate bemcentinib addresses a large unmet medical need for better treatment for patients suffering from a wide range of cancer indications, including solid and haematological cancers. By undertaking an ambitious and well-defined clinical programme for bemcentinib, BerGenBio is on the path to validating its commercial blockbuster potential.

The Sarsia Seed Fund – A focal point for Norwegian life science

Dr Farzad Abdi-Dezfuli PhD (Pharmacol)
Partner, Sarsia Seed Management AS

Sarsia Seed Management (SSM) is a Norwegian early stage fund manager within the biotechnology/life science sector, and is a focal point for all Norwegian life science deal flow. SSM established SSF-I with a capital base of 390 mNOK in Oct 2006 with BerGenBio being one of the Fund's initial investments. SSM is currently investing from its second fund Sarsia Seed Fund-II. SSM's life science focus is to target unprecedented therapeutic concepts addressing unmet medical needs in cancer, cardiovascular/metabolic, autoimmune and orphan diseases. Amongst concepts of interest are novel platform technologies to address currently undruggable targets, challenging conditions such as treatments for resistant cancers, new generation vaccines including immunomodulating therapies, and orphan treatments for rare diseases. Besides financial support, SSM helps to bridge company research and development through taking an active role in its portfolio companies to deliver significant added value through its extensive drug discovery, scientific and managerial expertise.

BGB is today a vigorous clinical stage biopharmaceutical company committed to developing innovative therapeutics that inhibit tumour cell Epithelial-Mesenchymal Transition, prevent the formation of cancer stem cells and disrupt the cellular mechanisms that drive acquired cancer drug resistance. In particular, it is a world leader in understanding the essential role of AXL kinase in mediating cancer spread, immune evasion and drug resistance in multiple aggressive haematological and solid cancers. Looking back, we can see that much of BGB's current success is derived from the Company's historic proprietary platform technology, CellSelect™, which was a key factor in our initial investment decision. And looking ahead we believe it is this unique insight into the fundamental pathology of cancer which will consolidate and expand BGB's position as a world class leader in the fight against resistant disease.

Status of clinical trials in other indications – demonstrating broad applicability continued

	Description	Key Facts	Market Size
TNBC – bemcentinib in combination with KEYTRUDA® Internal ref. BGB007 NCT03184558	BGBC007 is a two-stage, open-label single-arm, international and multi-centre Phase II study to assess the anti-tumour activity of bemcentinib in combination with KEYTRUDA in up to 56 patients with previously treated, non-resectable triple negative breast cancer (TNBC) or triple negative inflammatory breast cancer. Results to date: The first patients in this study were dosed in October 2017 and recruitment of the first cohort of patients was completed in February 2018. Initial results are expected to be presented during 2018.	Breast cancer is the most common cancer in women – it is estimated that more than 250,000 new cases will be diagnosed in the US in 2018, 20% of which are estimated to be of TNBC histology, i.e. lacking in receptors needed for existing targeted therapy (oestrogen, progesterone, HER2) and rendering the disease very aggressive. The treatment of TNBC relies heavily on chemotherapy, and AVASTIN® (bevacizumab) is the only approved targeted therapy. The median survival for metastatic TNBC is only one year from diagnosis and extending the survival outlook for TBNC patients and offering a novel chemotherapy free treatment regimen represents a commercially attractive opportunity.	The TNBC market is expected to grow significantly between 2015 and 2024. Combined TNBC drug sales in the US, Japan, and EU5 markets are expected to increase from USD293m in 2015 to USD1.0bn in 2024 with novel therapies, including PARP inhibitors and anti-PD-1/PD-L1 immunotherapies, expected to show strong uptake.
Melanoma – bemcentinib combination study Internal ref. BGBIL006 NCT02872259	BGBIL006 is an investigator-initiated, randomised Phase II trial combining bemcentinib with either KEYTRUDA or MEKINIST® plus TAFINLAR® (dabrafenib/trametinib) in up to 92 patients with advanced non-resectable or metastatic melanoma in the first-line and second-line setting. Results to date: Interim results showed that bemcentinib is well tolerated in combination with either MEKINIST/TAFINLAR or KEYTRUDA. The recommended Phase II dose of bemcentinib in combination with MEKINIST/TAFINLAR has been established and patient recruitment into all three arms of the study is ongoing with interim results expected to be reported during 2018.	Melanoma is the most serious type of skin cancer and may spread widely if not discovered in time. Melanoma occurs when the pigment cells in the skin (melanocytes), divide uncontrollably. It is estimated that in 2016, there were almost 150,000 melanoma diagnoses in the US alone. If detected very early, melanoma has a good prognosis; for patients with advanced melanoma, however, the probability of surviving five or more years from diagnosis is lower than 20%.	Melanoma accounts for just 1% of all skin cancer cases but is responsible for over 75% of skin cancer-related deaths. Over the past 30 years, there has been a dramatic increase in incidence of melanoma among Caucasian populations, as exposure to risk factors has risen. Datamonitor Healthcare estimates that nearly 150,000 cases will be diagnosed in 2017 in the US, Japan, and EU5 markets. Despite improved prognosis of melanoma patients in recent years as a result of advances in treatment options, survival rates for patients with advanced disease remain low. The five-year survival rate for localised disease is 98.5%, which is significantly higher than that observed in metastatic disease (19.9%).
AML/MDS – bemcentinib ± chemotherapy Internal ref. BGBC003 NCT02488408	BGBC003 is an international Phase Ib/II multi-centre open-label study investigating the use of bemcentinib as a monotherapy – to reactivate and re-sensitise the immune system to leukaemic cells – and also in combination with standard-of-care chemotherapies (low dose cytarabine or decitabine) – in up to 75 patients with relapsed or refractory acute myeloid leukaemia (AML) and myelodysplastic syndrome (MDS). Results to date: The initial Phase 1b dose escalation part of this study has been completed and a safe dose of bemcentinib has been established. 15% of patients with previously treated AML achieved objective responses following treatment with bemcentinib monotherapy and a further 12% had stable disease for prolonged periods (> 4 months). Data presented at the ASCO-SITC Clinical Immuno-Oncology Symposium in January 2018, also showed that bemcentinib has a clear immunomodulatory effect, as evidenced by increased immune activity characterised by diversification of patients' T-cell repertoires and several proprietary predictive biomarker candidates have been identified. Further exploration of bemcentinib as a monotherapy and in combination with existing anti-leukaemic therapies is ongoing.	AML is the most common form of acute leukaemia. It is diagnosed in over 20,000 patients in the US annually and is rapidly lethal if left untreated. Successful treatment typically requires intensive therapy or bone marrow transplantation, and relapse and resistance are common. Consequently, there is an urgent need for effective novel therapies in relapsed and refractory patients, particularly those that are ineligible for intensive therapy.	Datamonitor Healthcare forecasts that drug sales for AML will rise from USD153m in 2016 to USD1.6bn in 2025. The biggest drivers for this growth will be an increase in disease prevalence, as well as the anticipated launches and uptake of new therapies. The relapsed/refractory disease setting is anticipated to show the greatest market growth and emerges as the most lucrative treatment setting over the forecast period. Sales of drugs in the relapsed setting will grow from USD63m in 2016 to USD787m in 2025, exceeding the combined value of the first- and second-line settings.

The Bergen team

BerGenBio Board of Directors

Mr Stein Holst Annexstad

Chair

Mr Annexstad has senior industry experience, both at executive and Board levels. He is former executive of Dyno Industrier AS (fine chemicals), and became the CEO of the pharmaceutical firm Nycomed AS (subsequently merged with Amersham Plc and thereafter merged with GE). He was head of AS Isco Group, an Executive Search and Corporate Advisory Group. In 1996, Mr Annexstad co-founded NorgesInvestor AS, an Oslo-based Private Equity firm, and in 2008, he was the first Chairman of Investinor AS a Norwegian government funded venture capital company. At the same time, he was Chairman of Algeta ASA, the pharmaceutical company that successfully developed Xofigo (prostate cancer drug) and was acquired by Bayer Health Care in 2014.
Mr Annexstad has held previous Chairman positions in commercial banking, business school, public R&D and various industrial enterprises. He holds a BA in Commerce from the Norwegian School of Economics.

Mr Annexstad was appointed Chair of the Board of Directors on 6 January 2017. He is a Norwegian citizen and resides in Norway. He attended 13 Board meetings in 2017.

Mr Jon Øyvind Eriksen, CFA

Non-Executive Director

Jon Øyvind Eriksen is an Investment Director at Investinor AS, a Norwegian government funded venture capital company, and a CFA Charterholder. He is currently Non-Executive Director at Boostcom Group, Northern.tech, Novelda, Signicat, Swarm64 and Unacast. Mr Eriksen is a serial entrepreneur and previously served as CEO of several tech companies, including Mogul Technology and Kantega. He studied Biotechnology at the Norwegian University of Science and Technology (NTNU), from where he obtained an MSc, and has been awarded an MBA with Distinction from London Business School.

Mr Eriksen joined the Board of Directors on 30 January 2012. He is a Norwegian citizen and resides in Norway. He attended 12 Board meetings in 2017.

Dr Susan Foden

Non-Executive Director

Dr Susan Foden holds a number of Non-Executive Directorships with both public and private companies and public funding bodies in the biotechnology and healthcare field, including Vectura plc., Source Bioscience plc., Rainbow Seed Fund, Cascade Ltd and Oxford Ancestors Ltd. Previously, Dr Foden held positions in venture capital and UK biotechnology companies. From 2000 to 2003, she was an Investor Director with the London-based VC firm Merlin Biosciences Limited, and was CEO of the technology transfer company Cancer Research Campaign Technology. She studied biochemistry at the University of Oxford from where she obtained an MA and a DPhil.

Dr Foden joined the Board of Directors on 08 September 2011. She is a UK citizen and resides in the UK. She attended 10 Board meetings in 2017.

Mrs Hilde Furberg

Non-Executive Director

Hilde Furberg has over 30 years of commercial experience in the pharma and biotech industry. She is currently Senior Vice President Rare Diseases EMEA at Genzyme, a Sanofi Company. Previously her roles were Vice President and General Manager of Nordic Benelux and Nordic General Manager at Genzyme. Prior to joining Genzyme, Mrs Furberg was Managing Director and part-owner of Calliditas Therapeutics AB (formerly Pharmalink AB) and held a number of roles at Baxter including Managing Director Sweden. She is currently a board member at Calliditas Therapeutics and has held board positions at Algeta ASA, Clavis Pharma ASA, Pronova ASA and Probi AB.

Mrs Furberg is the former Chair of the Board of Directors of BerGenBio, having joined the Board on 01 February 2016. She is a Norwegian citizen and resides in the Netherlands. She attended 11 Board meetings in 2017.

Mrs Kari Grønås

Non-Executive Director

Kari Grønås (MSc Pharm) has more than 25 years of experience in drug development and the commercialisation of new products including securing regulatory approvals. She has significant management experience including leadership of cross functional and governance teams.

She was SVP Operations at Algeta ASA, and has held senior positions in both Photocure ASA and Nycomed/ Amersharm Health. She holds a Non-Executive Directorship at Lytix Biopharma AS, is Chairman of the Board of the Norwegian Pharmaceutical Society, and is currently working as a consultant within biotech.

Mrs Grønås joined the Board of Directors on 01 February 2016. She is a Norwegian citizen and resides in Norway. She attended 12 Board meetings in 2017.

Dr Stener Kvinnsland

Non-Executive Director

Dr Stener Kvinnsland has more than 30 years of experience in oncology. He is Chair of the Board, Oslo University Hospital. Among Dr Kvinnsland's previous roles, he was CEO 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.

Dr Kvinnsland joined the Board of Directors on 22 February 2015. He is a Norwegian citizen and resides in Norway. He attended 12 Board meetings in 2017.

Mr Sveinung Hole

Non-Executive Director

Sveinung Hole is the CEO of Bergen Research Foundation and the Kristian Gerhard Jebsen Foundation. He holds a number of board positions, among others, at Sarsia Seed AS, Norwegian Venture Capital Association, Prophylix Pharma AS and VoluSense AS. Formerly. He was the CEO of the investment fund Sarsia Seed AS, Board member of Bergen Hospital Trust (Helse Bergen) and Director of Anaesthesia and Intensive Care at Haukeland University Hospital. Hole has also held various top management positions (Market, Strategy, Internet) at Telenor Corporation and been Regional Managing Director/ Director of Global Strategies at the Berlitz Corporation.
Mr Hole holds a Master of International Management from BI Norwegian Business School.

Mr Hole joined the Board of Directors in 2016. He is a Norwegian citizen and resides in Norway. He attended 12 Board meetings in 2017.

BerGenBio Management Team

Mr Richard Godfrey
Chief Executive Officer (CEO)

Richard Godfrey joined BerGenBio as CEO in 2008. He has more than 25 years' industry experience leading many international drug development and commercialisation partnerships. Formerly he served as CEO of Aenova Inc., a specialist biopharmaceutical company. Prior to this, he was the Managing Director of DCC Healthcare Ltd and previously he held positions of increasing responsibility at Catalant, Eli Lilly and Reckitt Benckiser in R&D and commercial roles.

He qualified as a Pharmacist from Liverpool University and received his MBA from Bath University.

Mr Godfrey is a UK citizen and resides in Norway.

Prof James Lorens
Chief Scientific Officer (CSO)

Professor James Lorens is a co-founder and CSO of BerGenBio, and is also a Professor at the Department of Biomedicine at the University of Bergen.

Prof Lorens is a founding scientist and former research director of Rigel Inc., a San Francisco based biotechnology company he joined after completing his post-doctoral research studies at Stanford University. He has managed several large scientific collaborations in cancer research and development with major pharmaceutical and biotechnology companies.

He leads a large internationally active academic research laboratory comprising 22 researchers. His group is active in epithelial-mesenchymal transition, angiogenesis and cancer research. Prof Lorens is an author of more than 70 peer-reviewed articles and patents.

Prof. Lorens is a US citizen and resides in Norway.

Dr (Steven) Murray Yule
Clinical Development Officer (CDO)

Dr Murray Yule joined BerGenBio in 2011 and serves as CDO.

Since 1998, he has gained extensive experience in oncology clinical development supervising multiple early phase clinical studies of novel anticancer products, as well as planning and executing global development strategies for several anticancer drugs for top-ten pharmaceutical companies. His work has led to licensing approvals for novel tubulin binders in solid tumours and epigenetic therapies in acute leukaemia.

He completed his medical training in oncology at Addenbrookes Hospital, Cambridge and holds a PhD in experimental pharmacology.

Dr Yule is a UK citizen and resides in the UK.

Mrs Viki Wills
Director of Clinical Operations

Viki Wills joined BerGenBio in 2016 and serves as Director of Clinical Operations.

She brings over 30 years' experience in the management of clinical programmes from pharma, biotech and CRO companies across a number of therapeutic areas and phases, more recently focused on oncology.

She qualified as a Pharmacist from Bath University and completed her postgraduate registration in Bristol, UK.

Mrs Wills is a UK citizen and resides in the UK.

Dr Anthony Brown
Director of Research

Dr Anthony Brown joined BerGenBio in October 2015. 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 companies 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 CellCentric.

He has a DPhil from the University of Oxford and an MBA from Oxford Brookes University.

Dr Brown is a UK citizen and resides in the UK.

Mr Rune Skeie
Chief Financial Officer

Mr Rune Skeie joined BerGenBio as CFO in 2018. Mr Skeie has over 20 years of financial management, corporate development, corporate governance and advisory experience with public and private companies across multiple industry sectors. The majority of his career was spent at EY (formerly Ernst & Young), where he held the role of Executive Director, before joining REMA Franchise Norge AS, the multinational supermarket business, as CFO.

Mr Skeie is a Registered Accountant and a State Authorized Public Accountant.

Mr Skeie is a Norwegian citizen and resides in Norway.

Dr Julia Schölermann
Associate Director Business Development & Partnering

Dr Julia Schölermann joined BerGenBio in 2015. She is responsible for business development & partnering activities as well as public relations efforts.

She has a solid academic background in biotechnology and cell biology paired with many years work and supervision experience within leading academic institutions across Europe.

She holds an MSc in biotechnology and biophysics from the University of Heidelberg, Germany, a PhD in cell biology from the University of Bergen, Norway, and a dual-degree MBA from Brown University, USA, and ie business school in Madrid, Spain.

Dr Schölermann is a German citizen and resides in Norway.

Dr Endre Kjærland
Associate Director of Intellectual Property (IP) and Contracts

Dr Endre Kjærland joined BerGenBio AS in 2011 and is head of intellectual property, quality systems and contracts.

Prior to joining BerGenBio, he has gained more than 10 years of experience in academic science and translational research.

He completed an MSc in molecular biology and PhD in biochemistry from the University of Bergen.

Dr Endre Kjærland is a Norwegian citizen and resides in Norway.

Remuneration Report 2017

Prepared by: BerGenBio Remuneration Committee

Section 1 – Introduction by the Chairman of the Remuneration Committee

Dear Shareholder

The BerGenBio Remuneration Committee has reviewed the operation and the market competitiveness of the total remuneration package of the executive management team over the past year.

The Committee has responded to the feedback provided by shareholders to improve the transparency of the remuneration policy at BerGenBio. In the pre IPO process an external adviser assisted the Committee with a detailed review of the current remuneration framework and the positioning of the total remuneration package towards the market.

This work has now been revisited and updated with benchmark data. The result of this review has led the Committee to suggest a new remuneration policy. The policy reflects the next phase of BerGenBio's business, and will improve the level of remuneration detail disclosed. This policy has been adopted by the Board of Directors.

The key conclusions reached by the Committee following this review can be summarised as follows:

- A set of underlying remuneration principles are required and will serve as basis for BerGenBio's remuneration policy.
- A remuneration Policy Document shall set out in detail how each element of the remuneration package will be operated.
- A set of market comparator peers from the Nordic countries and the UK will be used to benchmark remuneration levels and practices.
- The comparison with BerGenBio's peer companies shows that BerGenBio's remuneration package as a whole is balanced between short and long-term equity awards.
- Annual bonuses are used to award short-term performance.
- Share options are used to retain, attract, incentivise and align employees with shareholders.
- The revised remuneration package is considered appropriate for the business at this stage, and will be reviewed as the business matures.

This statement regarding remuneration of the management team of BerGenBio ASA has been prepared by the Board of Directors of BerGenBio ASA pursuant to section 6-16a of the Norwegian Public Limited Companies Act.

Sveinung Hole
Chairman of the Remuneration Committee

5 April 2018

Section 2 – Remuneration Committee Activity

The Remuneration Committee

This statement regarding remuneration in BerGenBio ASA has been prepared pursuant to section 6-16a of the Norwegian Public Limited Companies Act.

The Board of Directors with the support of the Remuneration Committee determines the remuneration policy for BerGenBio. The Committee is of the view that remuneration practices must continue to support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives. At the same time BerGenBio's practices must take account of the views of governance bodies and the expectations of shareholders and the wider employee population. The Board of Directors approves the total remuneration of the CEO and the total remuneration of the CEO is communicated to the shareholders through the annual accounts. The Board of Directors has final approval of the remuneration of the senior management, based on recommendation from the Remuneration Committee.

During 2015, the Committee took independent advice from AON Hewitt Limited, UK (AON). AON advised the Committee solely on the matter of executive management team. Membership of the Committee changed in 2016, and again with the IPO in April 2017. The Committee is comprised of members of the Board of Directors. During the year the members were:

- Stein H. Annexstad.
- Hilde Furberg (Member also in the 2015 Committee).
- Sveinung Hole, Chairman (Member also in the 2016 Committee).

The Committee met five times in 2017. The CEO and the CFO attended specific meetings. The CEO and CFO have given input to levels of remuneration, but have not participated in final conversations regarding their own levels of remuneration.

The following matters were covered by the Committee during the year:

- A review of feedback received from shareholders regarding remuneration practice and disclosure at the Company.
- Evaluation of remuneration principles and practises for BerGenBio.
- Recommendation of a new remuneration policy for BerGenBio.
- A review of the market competitive positioning of each member of the executive management team
- Recommendation of the grant of share options to the members of the executive management team.
- Recommendation of the base salary increase of the CEO and the recommendations made by the CEO for the other members of the executive management team.
- Establishing objectives and bonus scheme for CEO and bonus principles for the management team for 2017, and quarterly review of performance.
- Recommendation of the new format and the disclosure within the 2017 remuneration report.

Remuneration Report 2017 continued

Section 3 – Overview of the Remuneration Policy

The Remuneration Policy

Late 2015, the Committee commissioned a thorough review of the remuneration policy at BerGenBio covering the executive management team. The purpose of this review was twofold:

1) To create a remuneration policy and, if necessary, revise the remuneration to be ready for the shift to a public traded company and to prepare for future business strategy.

2) To document the remuneration strategy and apply an internal governance framework, and assign decision-making responsibilities.

This was input to the Committee's revision in 2017. The revised remuneration policy for BerGenBio is based on the principles summarised below:

Principle	Summary
Market competitive remuneration	BerGenBio offers competitive reward opportunities to enable the Company to attract, retain and motivate the talent needed to achieve the vision and business objectives. BerGenBio shall balance the need to provide competitive levels of reward against a desire to be cost effective when determining reasonable and responsible reward outcomes.
Pay for performance	An appropriate proportion of the reward package is performance-based to ensure reward is linked to the achievement of key financial and non-financial objectives with a balance of short and long-term performance components.
Transparency	Remuneration programmes are designed and communicated in a manner that reinforces the linkage between business objectives, vision and culture.
Business alignment and consistency	Remuneration decisions are made within a global framework to ensure local practices are aligned and consistent with BerGenBio´s principles and policies. The remuneration practices will remain flexible enough to evolve as BerGenBio's business priorities change.
Shareholder alignment	The remuneration programmes will align the interests of all employees in driving value creation for shareholders.

A key component of the policy review is to establish an appropriate peer group of companies to use to verify the market competitiveness of the remuneration package and assess market practice for bonus and equity incentive programmes.

The selection of the peer companies is based on industry sector, commercial status, products, number of employees, revenue and, where applicable, market capitalisation. This has led to the selection of a comparator group, which, reflecting the structure of BerGenBio, covers both Nordic and UK companies.

The constituents of the peer group are:

Company	Nationality	Listing
BerGenBio		
Nordic Nanovector	N	OSE
Weifa	N	Delisted Oct. 2017
Biotec pharmacon	N	OSE
Targovax	N/FI	OSE
Photocure	N/US	OSE
Active Biotech	S	Stockholm
Hansa Medical	S	Stockholm
BioInvent International	S	Stockholm
Neurovive Pharma	S/Taiwan	Stockholm
Orexo	S/US	Stockholm and NASDAQ (ADS)
Oxford BioMedica	UK	LSE
hVIVO	UK	LSE AIM
Sinclair IS Pharma	UK	LSE AIM
Silence Therapeutics	UK	LSE AIM
E-Therapeutics	UK	LSE AIM
Verona Pharma	UK	LSE AIM and NASDAQ (ADS)
Synairgen	UK	LSE AIM
Summit Therapeutics	UK (/US)	LSE AIM and NASDAQ (ADS)
Immupharma	UK/F/SUI	LSE AIM
Vernalis	UK/US	LSE AIM
Tissue Regenix Group	UK/US	LSE AIM
Midatech Pharma	UK/US/Spain	LSE AIM and NASDAQ (ADS)

The main characteristics of the group of peer companies and BerGenBio are summarised in the following table:

Comparator factor (mUSD)	Minimum	Maximum	Median	BerGenBio
Number of Employees	7	247	45	26
Revenues	0	78	2	0
R&D expenses	1	29	8	18
Market capitalisation	11	849	75	280

The peer group is used for a comprehensive benchmarking of the executive management team to assess the market positioning of the remuneration packages.

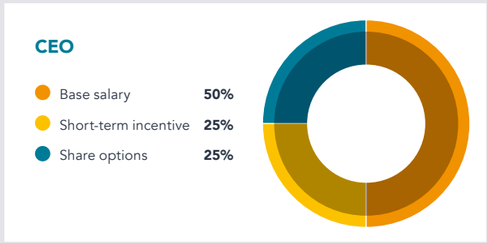
Remuneration Report 2017 continued

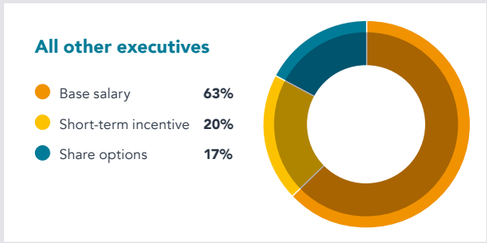
The remuneration arrangements for the BerGenBio executive management team comprise the following elements:

- Base salary
- Short-term incentive
- Share options
- Benefits
- Pension

The following chart shows, as a proportion of the 2017 total remuneration package, the % value split between salary, annual bonus and share option grants across the executive management team:

The Committee considers the above structure, with a considerable proportion of the remuneration being equity based, to be appropriate at the present stage of development for the Company.





Section 4 – Remuneration Policy for each element

Base salary

The Committee reviews base salaries for individual members of the executive management team annually. The salaries are set by taking into consideration the scope of the role, the level of experience of the individual, the geographical location of the role, internal relativity, and external economic environment. The Committee also makes reference to the mid-point of the market range for equivalent roles in peer companies. The Committee receives a proposal from the CEO for total annual base salary increase. This is to be presented latest in February, for final Board approval in March and will be retroactive effective from 01 January.

The overall performance, employee potential and current remuneration competitiveness will be combined to assess any proposed salary revision.

Short-term incentive scheme

All members of the executive management team are eligible to participate in an annual short-term incentive (STI) scheme. The scheme is linked to individual performance measures, which focus on the achievement of key performance indicators for the business area relevant for individual executives, as well as some overall objectives common for all in the executive team. The individual objectives of the CEO and the overall objective for the executive team are set by the Board. The Committee, in discussion with the CEO, reviews the level of performance achieved and the amount of STI earned by the members of the executive management team. The CEO will share the recommendation to the Committee in February. Latest in March the recommendation from the Committee is shared with the Board, which finally approves this and any STI award to the CEO.

Each individual has a number of measures, which are grouped into the following categories:

Category	Measures cover
Execution of bemcentinib development plan	• Opening of IND approved trials • Clinical trial progress • CMC / chemistry, manufacturing and controls, objectives • Publications in peer reviewed journals and at conferences
Finance management	• Financial strategy formulation • Adherence to budget • Investor relations and equity analyst coverage
Business development and footprint	• Progress in development of BGB149 • R&D agreements • Bemcentinib positioning

In order to be consistent with the principles of pay for performance and competitive remuneration, a stretch bonus target has been introduced to reward exceptional performance and results.

Category	Target bonus in % of base salary (2017)	Maximum bonus in % of salary, inc. stretch (2017)
Chief Executive	50%	75%
All other executives	30%	45%

The Committee may, at its discretion, review the operation of the STI scheme and make recommendations to the Board for approval. Any review will take into account the overall impact of the remuneration package, the mix between fixed and variable pay and between short and long-term performance measurement.

Share options

BerGenBio operates with a share option plan (Long-term Incentive Plan - LTP) where all employees participate. The purpose of the LTP is to ensure that a proportion of the remuneration package is based on the long-term performance of the Company and therefore aligned directly with the interests of the shareholders. Share options are granted when employees join the Company. Share option grants are not subject to performance-based vesting conditions, and are hence geared towards employee retention.

Share options may also be granted to selected consultants and Board members to attract and retain the individuals with the skill, international experience and industry competence the Company requires. Use of share options for Board members is not in compliance with The Norwegian Corporate Governance Board ("NCGB" or "NUES") recommendation on corporate governance for Companies listed in Norway (30 October 2014). If options are recommended to Board members, the Nomination Committee will argue the separate cases based on specific considerations.

The use of share options reflects practice in the sector. The Committee will review the profile of the total remuneration package and give consideration to the use of other equity vehicles such as restricted stock. Any changes will be based upon the needs of the business at the time and will be subject to normal shareholder approval requirements.

The Board of Directors has been authorised by the 2016 General Meeting of BerGenBio ASA to have up to 3,290,340 shares outstanding as part of the share option plan. At the end of 2017, 2,925,000 share options are outstanding, of which 2,891,667 were vested and exercisable at year end 2017.

The Board of Directors will decide if share options are to be granted to the executive team and forward recommendation to the Annual General Meeting. When granted, share options will be awarded relative to a % of base salary, with the option value set to 50% of face-value, which is in line with practice for biotech share options without performance conditions and compliant with IFRS2.

Remuneration Report 2017 continued

Category	Share option value in % of base salary (2017)
Chief Executive	0–100%
All other executives	0–50%

Under the current plan, until 2016, share options have been granted to all employees upon joining the Company with vesting subject to performance conditions. Additional grants have been made to senior employees on a discretionary basis taking into account overall performance, competitiveness of terms, work responsibility, importance of retention, organisation level and position. Granted share options vest over a three-year period, with a 1/3 of the options vested per year. For Board members the granted options vest over two years in line with the period for which they are elected. Options expire eight years after the grant date. For Board members options expire after two years.

In the case of termination of employment, the employee will not vest further share options beyond notice of termination. The terminated employee can, as a rule, exercise vested share options for maximum six months post termination.

Vested share options can be exercised partly or fully at four specified points per year at least. In addition, the Board may allow exercise at other suitable times during the year. The exercise price for any new options granted is set at the market price of the shares at the time of grant of the options.

The Board of BerGenBio seeks authorisation from shareholders at the Annual General Meeting to issue a maximum number of share options in total for all grants. This authorisation is sought every year and at the Annual General Meeting in March 2017, the Board was authorised to issue up to 3,293,400 share options. Going forward this cap will be set at maximum 10% of outstanding shares.

By the end of 2017, Board members held 307,500 share options and the senior management held 2,095,000 share options. The remaining 522,500 share options are held by other employees. Please see Note 5 and 6 of the consolidated financial statements for 2017 for an overview of options granted per 31 December 2017.

Pension

BerGenBio ASA has a defined contribution pension plan according to the mandatory requirements in the Norwegian Law. The executive management is included in this pension plan, which applies to all Norwegian employees of BerGenBio ASA.

Currently, the non-Norwegian employees are not part of the pension plan. The Company either pays them an annual amount or it is included in the yearly basic salary. It is the responsibility of the employee to pay into their personal pension schemes.

Other benefits

Benefits to senior management may comprise certain other items such as healthcare, accident insurance, limited car allowance, etc. on customary terms.

The type of benefit provision, the level of cover and the coverage will be reviewed when deemed relevant. No review is planned for 2018.

Severance payment

The CEO of BerGenBio ASA, Richard Godfrey, has the right to receive 12 months' salary and benefits in the case of involuntary termination of his employment.

In the event that the employment agreement is terminated within 18 months of a change of control in the Company the CEO is entitled to compensation of 18 months' salary and the buy back of his shares of fair market value at his sole discretion.

Board of Directors

The remuneration for the Board of Directors comprises an annual fee for acting as a director, which takes into account the director's experience, chairmanship and Committee chairmanship or membership. The Annual General Meeting sets the fees.

Post IPO, the Company has not granted share options to members of its Board, thereby complying with the recommendation on corporate governance for Companies listed in Norway. However, share options may in exceptional future cases be granted to selected consultants and Board members to attract and retain the individuals with the skill, international experience and industry competence the Company requires.

Section 5 – Remuneration tables for 2016 and 2017

See Notes 5 and 6 to the group financial statements.

Corporate Governance Report 2017

1. Corporate Governance In BerGenBio

BerGenBio ASA considers good corporate governance to be a prerequisite for value creation and trustworthiness, and for access to capital. In order to secure strong and sustainable corporate governance, it is important that BerGenBio ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations.

BerGenBio is incorporated and registered in Norway and is subject to Norwegian law. The Company's shares are listed on Oslo Børs, and thus subject to the requirement to prepare an annual statement of its principles and practices for corporate governance. The Company endorses the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board, most recently revised on 30 October 2014 (the "Code"). Compliance with the Code is based on the "comply or explain" principle, which means that the Company must either comply with the individual items in the Code or explain why they have chosen an alternative solution.

Implementation and reporting of corporate governance

BerGenBio has governance documents setting out principles for how business should be conducted. References to more specific policies are included in this corporate governance report where relevant. The BerGenBio governance regime is approved by the Board of Directors in the Company.

BerGenBio believes good corporate governance involves openness and trustful cooperation between the Company and all its stakeholders. By practicing good corporate governance, the Company's Board of Directors and management will contribute to achieving the Company's objectives of openness, independence, equal treatment, and control and management.

The following sections provide a discussion of the Company's corporate governance in relation to each section of the Code. According to the Company's own evaluation, the Company deviates from the Code on the following points:

- Formulation of Company takeover policy (section 14)
- Formulation of guidelines for use of the auditor for services other than auditing (section 15)

Values and ethical policies

BerGenBio has not defined any corporate values, but the Company's main values and ethical principles form the basis for the Company's corporate social responsibility policy. The CSR policy is distributed to all employees, management and Board members, and published on the Company's website.

The Company's ethical and corporate social responsibility rules set forth the basic principles for business practices and personal behaviour for BerGenBio and apply to all employees, as well as persons/entities related to the Company, including hired consultants acting on behalf of the Group. They comprise the Company's main principles on issues such as human and labour rights, health and safety, business ethics, legal compliance, insider trading, whistle-blowing and other relevant issues related to the Company's operations. Material breaches of the ethical guidelines may result in termination of employment.

2. Business

BerGenBio is a clinical-stage biopharmaceutical company focused on developing a pipeline of first-in-class selective AXL kinase inhibitors to treat multiple aggressive cancers.

The Company's operations comply with the business objective set forth in its articles of associations 3: "The Company's objective is to undertake research and development in biotechnology with a focus on new pharmaceutical therapeutics."

The Company has developed clear goals and strategies which are further described in the annual report for 2017.

3. Equity and Dividends

Capital adequacy

BerGenBio's total equity at 31 December 2017 was NOK 350.4 million, corresponding to an equity ratio of 91.2%. The Board of Directors considers this to be an adequate level relative to the risk and scope of operations based on the Company's internal estimated capital requirements.

The Company's capital situation is continuously monitored, and the Board of Directors will take adequate steps to capitalise the Company if deemed necessary.

Dividend policy

BerGenBio has not developed any dividend policy. The Company is focusing on the development of novel pharmaceutical products and does not anticipate paying any cash dividend until sustainable profitability is achieved. The Company has not previously distributed any dividends to its shareholders.

Authorisations to the Board of Directors

At the Company's annual general meeting, held on 22 March 2017, the Board of Directors was granted the following authorisations:

- Authorisation to increase the Company's share capital by up to NOK 329,340 in connection with its existing share option scheme. The authorisation is effective until the earlier of the AGM in 2018 and 30 June 2018.
- Authorisation to increase the share capital by up to NOK 30 million in connection with over-allotments. The authorisation was valid until 31 August 2017.

All authorisations were considered and resolved separately by the general meeting.

For supplementary information on the authorisations, reference is made to the minutes of the annual general meeting held on 22 March 2017, available from the Company's website and www.newsweb.no.

At the Company's extraordinary general meeting, held on 9 March 2018, the Board of Directors was granted the following authorisation:

- The Board of Directors is granted an authorisation to increase the share capital with up to NOK 499 222 by subscription of up to 4,992,220 new shares, which constitute 10% of the Company´s outstanding shares. The purpose of the authorisation is to permit the issue of new shares to strengthen the Company´s equity and to increase the liquidity and/or to broaden the Company's shareholder base with domestic and international investors that may include healthcare specialist investors.

4. Equal Treatment of Shareholders and Transactions With Close Associates

BerGenBio has only one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

Share issues without preferential rights for existing shareholders

In the event of a share capital increase through the issue of new shares, a decision to waive the existing shareholders' preferential rights to subscribe for shares shall be justified. Where the Board of Directors resolves to issue shares, and waive the preferential rights of existing shareholders pursuant to an authorisation granted to the Board of Directors by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the shares issuance. There were no share issues where the preferential rights of shareholders were set aside in 2017.

Transactions in treasury shares

Any transactions in treasury shares shall be carried out through Oslo Børs, and in any case to prevailing stock exchange prices. In the event that there is limited liquidity in the Company's shares, the Company will consider other ways to cater for equal treatment of shareholders. There were no such transactions in 2017.

Approval of agreements with shareholders and close associates

For transactions that are considered to be not immaterial between the Company and its closely related parties, the Board of Directors will arrange for an independent third-party valuation. Members of the Board of Directors and executive personnel are required to notify the Board of Directors when such members have any significant, direct or indirect, interest in a transaction carried out by the Company. There were no such transactions in 2017.

Corporate Governance Report 2017 continued

5. Freely Negotiable Shares

The shares of the Company are freely negotiable, and the Company's articles of association do not place any restrictions on the negotiability of shares.

6. General Meetings

The general meeting is open to all shareholders, and BerGenBio encourages all shareholders to participate and exercise their rights in connection with the Company's general meetings. The right to participate and vote at the general meeting can only be exercised for shares registered in the shareholders' register by the fifth business day prior to the day of the general meeting.

Notice of a general meeting and any supporting documents, including the recommendation by the Nomination Committee and other information on the resolutions to be considered, shall be made available on the Company's website no later than 21 days prior to the date of the general meeting. In accordance with the Company's articles of association, documents that are to be considered by the general meeting are not required to be sent to the shareholders if they have been made available on the Company's website. The deadline for registration will be set as close to the meeting as possible, and all the necessary registration information will be described in the notice.

Shareholders unable to attend may vote by proxy. Whenever possible, the Company will prepare a proxy form that will allow separate votes for the items that are to be considered at the general meeting.

The agenda for the annual general meeting is stipulated by the articles of association, and the main topics to be considered include the approval of the annual accounts and the director's report, including distribution of dividend, and remuneration of leading personnel.

The Board Chairman is normally the chairperson for the general meeting. If there is disagreement on individual items for which the Board Chairman belongs to one of the fractions, or is not regarded as being impartial for other reasons, another chairperson will be appointed to ensure impartiality regarding the items to be considered.

The Board Chairman and the CEO will be present at general meetings, together with representatives of the Board. Representatives of the Nomination Committee, the Remuneration Committee and the Audit Committee, as well as the auditor, should be present at general meetings where matters of relevance for such committees/persons are on the agenda.

Minutes from the general meetings will be published in accordance with the stock exchange regulations.

In 2017, BerGenBio held its annual general meeting on 22 March. Two extraordinary general meetings were held on 16 January and 16 February, respectively.

7. Nomination Committee

The Nomination Committee of BerGenBio consists of three members, elected pursuant to section 9 of the Company's articles of association.

The nomination committee is responsible for recommending candidates for the election of members and Chairman of the Board of Directors, candidates for the election of members and Chairman of the Nomination Committee, and remuneration of the Board of Directors, Board subcommittees and the Nomination Committee.

The objectives, responsibilities and functions of the Committee are further described in the "Instructions for the Nomination Committee," which were adopted by the general meeting at the AGM in 2017. The instructions are available from the Company's website.

The current Nomination Committee was elected at the general meeting, held on 22 March 2017, and consists of:

- Ann-Tove Kongsnes (Chair)
- Hans Peter Bøhn
- Masha P.N Le Gris Strømme

The members were elected with a term until the annual general meeting in 2019. All members are considered independent of the Company's Board of Directors and executive management.

All shareholders are entitled to nominate candidates to the Board, and contact information for proposing candidates can be found on the Company's website.

8. Board of Directors; Composition and Independence

Pursuant to the articles of association section 5, the Company's Board of Directors shall consist of three to seven members. At 31 December 2017, the Board of Directors consisted of seven members, whereof three women:

- Stein Holst Annexstad (Chair)
- Hilde Furberg
- Susan Foden
- Kari Grønås
- Stener Kvinnsland
- Sveinung Hole
- Jon Øyvind Eriksen

All members are elected for a term of two years, and may be re-elected.

The composition of the Board of Directors is in compliance with the independence requirements of the Norwegian Code of Practice for Corporate Governance, (the "Corporate Governance Code"), meaning that (i) the majority of the shareholder-elected Board Members are independent of the Company's executive management and material business contacts, (ii) at least two of the shareholder-elected Board Members are independent of the Company's main shareholders (shareholders holding more than 10% of the Shares in the Company), and (iii) no members of the Company's Management serve on the Board of Directors. Furthermore, pursuant to the Norwegian Public Limited Companies Act, if the Board of Directors of a Norwegian public limited liability Company consists of six to eight members, then each gender shall be represented by at least three members.

Except for Jon Øyvind Eriksen and Sveinung Hole, all Board Members are independent of the Company's significant business relations and large shareholders (shareholders holding more than 10% of the Shares in the Company) and of the Management.

Board members are encouraged to own shares in BerGenBio. Prior to the listing of BerGenBio on Oslo Børs, the Company has granted share options to its Board members as set out in the table below. This practice ended in connection with the IPO and adoption of the Code.

Name	Position	Considered independent	Served since	Term expires	Board Meeting Attendance 2017	Shares	Share options
Stein Holst Annexstad[1]	Chair	Yes	01.02.2016	AGM 2019	13	7,539	0
Susan Elizabeth Foden	Board member	Yes	08.09.2011	AGM 2018	10	6,700	267,500
Hilde Furberg[2]	Board member	Yes	01.02.2016	AGM 2018	11	3,769	25,000
Kari Grønås[3]	Board member	Yes	01.02.2016	AGM 2018	12	4,522	15,000
Stener Kvinnsland	Board member	Yes	22.02.2015	AGM 2018	12	0	0
Sveinung Hole	Board member	No	01.09.2010	AGM 2018	12	0	0
Jon Øyvind Eriksen	Board member	No	30.01.2012	AGM 2018	12	0	0

1) Stein H. Annexstad holds 7,539 shares in the Company through Holstein AS, a closely associated company of Stein H. Annexstad.
2) Hilde Furberg holds 3,769 shares in the Company through J&J Future Invest AS, a closely associated company of Hilde Furberg.
3) Kari Grønås holds 4,522 shares in the Company through K og K AS, a closely associated company of Kari Grønås.

Corporate Governance Report 2017 continued

9. The Work of the Board of Directors

The Board of Directors is responsible for the management of the Company, including the appointment of CEO, convening and preparing for general meetings and supervise the daily management and the activities of the Company in general.

The Board of Directors has implemented instructions for the Board and the executive management, with focus on allocation of internal responsibilities and duties. The objectives, responsibilities and functions of the Board of Directors and the Chief Executive Officer are in compliance with rules and standards applicable to the Company and are described in the Company's "Instructions for the Board of Directors" and "Instructions for the CEO."

The Board of Directors will produce an annual schedule for its work, with particular focus on objectives, strategy and implementation. The CEO is responsible for keeping the Board of Directors informed and provides monthly reports to the Board of Directors about the Company's activities, position and financial and operational developments. During 2017, the Board of Directors held 13 meetings.

The Board of Directors' consideration of material matters in which the Chairman of the Board is, or has been, personally involved, shall be chaired by another member of the Board.

The Board of Directors shall annually evaluate its performance and expertise in the previous year. The evaluation is made available to the Nomination Committee.

Audit Committee

The Board of Directors established an Audit Committee on 28 February 2017, which is a sub committee of the Board of Directors. Its main duties are to assess the Company's financial reporting and systems for internal control. The audit committee also supports the Board in the administration and exercise of its responsibility for supervision in accordance with applicable rules and legislations. The Company's Audit Committee is governed by the Norwegian Public Limited Liability Companies Act and a separate instruction adopted by the Board of Directors. The Audit Committee has held four meetings in 2017, and met with the Auditor, EY, separately without the executive management present.

The members of the Audit Committee are elected by and amongst the members of the Board of Directors for a term of up to two years. The current members of the Audit Committee are:

- Jon Øyvind Eriksen (Chair)
- Kari Grønås
- Stein Holst Annexstad

Remuneration Committee

The Board of Directors has established a Remuneration Committee as a preparatory and advisory committee for the Board of Directors in questions relating to remuneration of the Company's executive management.

The duties are described in the Company's "instructions for the Remuneration Committee". The main duties include the responsibility to review the remuneration and benefits strategy of the members of the executive management; review the performance of the executive management vs. the adopted objectives and recruitment policies, career planning and management development plans; and prepare matters related to other material employment issues in respect of the executive management. The Remuneration Committee meets as often as deemed necessary, but normally two to three times a year.

The members of the Remuneration Committee are elected by and amongst the members of the Board of Directors for a term of up to two years and shall be independent of the Company's executive management. The current members of the Remuneration Committee are:

- Sveinung Hole (Chair)
- Stein Holst Annexstad
- Hilde Furberg

10. Risk Management and Internal Control

The Board of Directors of BerGenBio are responsible for ensuring that the Company has sound and appropriate risk management and internal control systems in accordance with the regulations that apply to its business activities.

The Company has implemented a comprehensive set of relevant corporate manuals and procedures, which provide detailed descriptions of procedures covering all aspects of managing its operations, including the development of clinical data and financial performance. The procedures and manuals are continuously revised to reflect best practice derived from experience or adopted through regulations. In connection with the implementation of the General Data Protection Regulation (GDPR) approaching, BerGenBio is currently undergoing a comprehensive risk assessment related to employee data management. This is expected to be finalised by May 2018.

The Board of Directors receives reports from the management on developments and results related to strategy, finance, KPIs, risk management, clinical studies, challenges and plans for the coming periods. In addition, quarterly and annual reports are prepared in accordance with the listing requirements and recommendations of Oslo Børs, and they are reviewed by the Audit Committee prior to the Board meeting and subsequent publication.

BerGenBio prepares its financial accounts in accordance with the international accounting standard IFRS, which aims to provide a true and fair overview of the Company's assets, financial obligations, financial position and operating profit. For information on the Company's financial risk and risk management, reference is made to the Board of Directors' report and Note 20 in the 2017 annual report.

11. Remuneration of the Board of Directors

The remuneration of the Board of Directors is determined by the shareholders at the annual general meeting of the Company based on the proposal from the Nomination Committee. The level of the remuneration is based on remuneration of Board members for comparable companies and reflects the Board of Directors' responsibility, expertise, the complexity of the Company, as well as time spent and the level of activity in both the Board of Directors and any Board Committees.

The remuneration of Board members is not linked to the Company's performance and does not contain option elements. Prior to the listing of BerGenBio on Oslo Børs, the Company has granted share options to its Board members as set out in section eight above. This practice ended in connection with the IPO and adoption of the Code. Board members who participate in the Audit Committee or Remuneration Committee receive separate compensation for this. Detailed information on the remuneration of the Board of Directors can be found in Note 5 to the financial accounts in the annual report for 2017.

Members of the Board of Directors, or companies associated with which they are associated, should not engage in specific assignments for the Company in addition to their appointment as members of the Board, but if they do, this shall be fully disclosed to the Board of Directors. The remuneration for such additional duties will be approved by the Board of Directors and specifically identified in the annual report.

12. Remuneration of Executive Personnel

The main principles for BerGenBio's executive remuneration policy is that the management should be offered terms that are competitive when salary, benefits, bonus and pension plans are seen as a whole. The executive remuneration guidelines are described in the Company's annual report and have been presented to and adopted by the general meeting.

The Company has a share option scheme for employees, which is linked to the Company's long-term performance with shareholder values and interest. Details regarding the programme are available in Note 6 to the financial accounts in the annual report for 2017.

Corporate Governance Report 2017 continued

13. Information and Communications

BerGenBio complies with Oslo Børs' Code of Practice for IR, as of 10 June 2014. The Board of Directors has adopted an investor relations policy, to clarify roles and responsibilities related to financial reporting and regulate contact with shareholders and the investor market and ensure that the principles of openness and equal treatment of market participants are followed. The IR policy is available from the Company's website. In addition, the Board has adopted separate instructions for financial reporting and handling of inside information.

The Company will each year publish a financial calendar, providing an overview of the dates for major events such as its ordinary general meeting and publication of interim reports. Interim reports are published on a quarterly basis, in line with Oslo Børs' recommendations. The Company will give open presentations in connection with its interim reporting. All financial and other IR information is provided in English. All information is distributed to the Company's shareholders by postings on the Company's website at the same time as it is sent to Oslo Børs through its information system www.newsweb.no.

14. Take-Overs

There are no defence mechanisms against take-over bids in the Company's articles of association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company.

In the event of a take-over process, the Board of Directors and the executive management will ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board of Directors has a special responsibility in ensuring that the shareholders have sufficient information and time to assess the offer. In addition to complying with relevant legislation and regulations, the Board of Directors will seek to comply with the recommendations in the Code, including a valuation from an independent third-party. On this basis, the Board of Directors will make a recommendation as to whether the shareholders should accept the bid.

The Board of Directors has not established any other written guidelines for procedures to be followed in the event of a take-over bid, as such situations normally are characterised by specific and one-off situations which makes guidelines challenging to prepare.

15. Auditor

The Company's auditor is EY and is regarded as independent in relation to BerGenBio ASA. The Board of Directors receives an annual confirmation from the auditor that the requirements regarding independence and objectivity have been satisfied.

The auditor prepares an annual plan for carrying out the auditing work, which is made known to the Audit Committee. The Board of Directors have annual meetings with the auditor to discuss the annual accounts, accounting principles, assessment of any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the Company's executive management. At least once per year, the auditor will present to the Audit Committee a review of the Company's internal control procedures, including identification of weaknesses and proposals for improvement. These meetings will also be held with an opportunity for a review with the auditor, without the Company's day to day management being present. No separate guidelines have been prepared for use of the auditor for services other than auditing.

The Board of Directors will disclose the remuneration paid to the auditor to the shareholders at the annual general meeting, including a break-down of the fee paid for audit work and fees paid for other specific assignments, if any. The Audit Committee has reviewed the work of the auditor and recommend to the General Meeting to retain EY as the Company's auditor.

The auditor will participate at the annual general meeting.

Board of Directors Report 2017

Strategy

BerGenBio ASA ("the Company") and its subsidiary (together "the Group") is a clinical-stage biopharmaceutical company focused on developing a pipeline of first-in-class AXL kinase inhibitors as a potential cornerstone of combination cancer therapy. The Company is a world leader in understanding the essential role of AXL kinase in mediating cancer spread, immune evasion and drug resistance in multiple aggressive solid and haematological cancers.

BerGenBio is developing first-in-class drugs with potential to become cornerstone therapies for aggressive cancers, i.e. those that evade the immune system, are drug resistant and metastatic, by making tumours visible to the immune system and more susceptible to treatment with standard of care (SoC) immuno-oncology drugs, chemo- and targeted therapies. Its lead candidate, bemcentinib (BGB324), is an oral, highly selective AXL inhibitor and the most advanced candidate in its class in clinical development.

AXL is an essential mediator of the mechanisms that drive the aggressive behaviours of cancer cells and that suppress the body's immune response to tumours. AXL inhibitors, therefore, have potential value at the heart of cancer combination therapy, addressing significant unmet medical needs and multiple high value market opportunities.

The potential of bemcentinib to become a cornerstone therapy is being evaluated in a broad clinical programme, which is designed to evaluate bemcentinib in several solid and haematological tumours in combination with current and emerging therapies (including immune checkpoint inhibitor (CPI) drugs, chemo- and targeted therapies), and as a single agent.

The Group's strategic priorities include:

- Complete four Group sponsored Phase II clinical trials with bemcentinib in NSCLC, TNBC and AML/MDS. Two further investigator-sponsored Phase II trials are underway evaluating bemcentinib in NSCLC and melanoma. Initial read-outs are expected during 2018.
- In parallel, develop companion diagnostics to enrich future clinical trials with patients who are predicted to respond to bemcentinib; enhance chances of regulatory approval; and enable the adoption of a precision medicine approach for commercialisation.
- Advance BGB149, an anti-AXL antibody, into and through Phase I clinical trials.
- Retain strategic flexibility for commercialisation: it is anticipated that the high novelty of bemcentinib plus its promising therapeutic profile will make it (and later other pipeline candidates) attractive targets for partnering; a "go-to market" strategy will also be considered in select indications in discrete territories.

Operational review

BerGenBio has made good progress during 2017 with the primary focus on advancing its broad Phase II clinical trial programme with bemcentinib. This programme is designed to establish the potential of bemcentinib as a future cornerstone of cancer combination therapy. Further details of progress made during the year are included below.

The Group's clinical programme includes six Phase II trials, which at the end of 2017 are all underway. The trials are taking place at more than 50 clinical and academic centres globally and aim to recruit over 350 patients. Initial read-outs are expected during 2018 and targeted around the ASCO congress in June.

The trials are evaluating bemcentinib in combination with current SoC and emerging cancer therapies, exploring if bemcentinib can reverse and prevent acquired resistance to therapy thus restoring tumour sensitivity to treatment. One trial is also looking at bemcentinib as a monotherapy, based on its potential to reactivate the immune system against leukaemic cells.

BerGenBio successfully completed an initial public offering (IPO) raising NOK 400m and listing on the Oslo Stock Exchange in April 2017. The proceeds of the IPO, alongside the Group's existing cash resources, are intended to finance its clinical development programme to deliver Phase II clinical proof of concept results with bemcentinib in 2018, and also to advance its earlier stage pipeline.

About bemcentinib (BGB324)

Bemcentinib is a first-in-class, highly selective, potent and orally bioavailable small molecule AXL kinase inhibitor. It is produced as 100mg capsules and patients take one or two capsules once daily in an outpatient (at home) setting.

AXL signalling plays a fundamental role in the tumour microenvironment affecting both tumour cells (promotes immune evasion, drug resistance and cancer spread), and immune cells (suppresses tumour recognition and cell-killing activities).

Blocking AXL activity therefore represents a novel approach to cancer therapy by making tumour cells visible to the immune system and more susceptible to treatment with immuno-oncology drugs, chemo- and targeted therapy.

Positioning bemcentinib as a potential cornerstone of cancer combination therapy

AXL expression has been established as a negative prognostic factor in a large variety of tumours, with particularly compelling evidence in lung cancer.

Lung cancer also represents the largest single unmet medical need: over 230,000 new cases are expected to be recorded in the US in 2018, over 80% of which will be of non-small cell histology (NSCLC). The global market for NSCLC therapeutics is expected to grow to $12bn in 2025. Major classes of NSCLC therapy are (1) CPIs, e.g. the anti-PD1 antibody therapy pembrolizumab, (2) targeted therapies, in particular those targeted at mutations of the epidermal growth factor receptor (EGFR), e.g. erlotinib and (3) chemotherapeutics, e.g. paclitaxel and docetaxel.

Each of these treatment modalities is currently used as a first or second line systemic treatment option for a large proportion of NSCLC patients. Furthermore, patients who relapse after receiving CPIs, targeted therapies or paclitaxel, where the treatment was ineffective or the tumour has become resistant, will inevitably receive docetaxel chemotherapy in later lines of treatment.

NSCLC therefore presents an important opportunity to evaluate bemcentinib's potential to prevent or reverse resistance to these therapies across one, commercially highly desirable, therapeutic area. Three Phase II combination studies with bemcentinib in NSCLC are underway:

- BGBC008 (NCT03184571) – with KEYTRUDA® (pembrolizumab), a blockbuster anti-PD-1 antibody, in NSCLC
- BGBC004 (NCT 02424617) – with the targeted therapy TARCEVA® (erlotinib) in advanced EGFR mutation driven NSCLC
- BGBIL005 (NCT02922777) – with docetaxel chemotherapy (investigator-sponsored study), in patients who have progressed on any other therapy available to them.

In parallel, BerGenBio is developing companion diagnostics to identify patients for whom combination treatment including bemcentinib could lead to improved outcomes.

BGBC008 – bemcentinib + KEYTRUDA

During Q4, BerGenBio initiated a Phase II trial of bemcentinib with KEYTRUDA in NSCLC. The first patients were enrolled and dosed in October. This trial, and a similar trial in breast cancer, are being conducted under a clinical collaboration agreement with the global pharma company Merck & Co. (MSD outside US), which was entered in the first quarter 2017. Merck is the global market leader in immune-oncology and provides technical and regulatory input and provision of their block buster checkpoint inhibitor (CPI) KEYTRUDA.

CPIs, such as KEYTRUDA, show very good effect in a limited proportion of cancer patients who have high (>50% in first line setting and >1% in second line) PD-L1 levels (the ligand for the PD-1 tumour receptor). However, the majority of cancer patients still do not respond to CPIs.

Research by BerGenBio and others suggests that AXL plays a significant role mediating the immune evasion seen in patients that do not respond to the CPI and preclinical experiments in animal models of lung and breast cancer show that bemcentinib significantly improves the response to CPI therapy. Therefore, inhibiting AXL signalling with bemcentinib could significantly enlarge the patient population that responds to the CPI and improve patient outcomes.

BGBC008 is a two-stage, open label, single arm, international and multi-centre Phase II study to assess the anti-tumour activity of bemcentinib in combination with KEYTRUDA in up to 48 patients with previously treated, advanced NSCLC.

Preliminary and favourable safety data from patients in this study and from BerGenBio's two other Phase II studies of bemcentinib in combination with KEYTRUDA (n=34), were presented at the ASCO-SITC Immuno-Oncology Symposium (January 2018). The safety profile of the bemcentinib/KEYTRUDA combination was found to be similar to that reported for KEYTRUDA alone and as such, well tolerated by patients.

Patient recruitment is advancing as planned and interim results are expected during mid 2018.

KEYTRUDA® is a registered trademark of Merck Sharp & Dohme Corp., a subsidiary of Merck & Co., Inc., Kenilworth, NJ, USA, TARCEVA® is a registered trademark of OSI Pharmaceuticals, LLC., marketed by Roche-Genentech. TAFINLAR® is a registered trademark of Novartis International AG and MEKINIST® is a registered trademark of GSK plc.

Board of Directors Report 2017 continued

In parallel, BerGenBio and MSD are conducting biomarker studies to assess AXL and PD-L1 expression (and other relevant biomarkers) in patients, with the objective of developing companion diagnostics to identify patients who would be most suitable for treatment with the bemcentinib/KEYTRUDA combination.

BGBC004 – bemcentinib + TARCEVA

The BGBC004 trial is a two-stage, multi-centre open-label Phase Ib/II study of bemcentinib in combination with TARCEVA® in patients with advanced NSCLC (Stage IIIb or Stage IV) driven by a mutation in the EGFR gene. This accounts for approximately 18% of NSCLC patients among Western populations and up to twice as much in Asia.

Patients with EGFR mutations tend to respond well to EGFR targeted therapy initially, but drug resistance mediated either by further mutation of EGFR or by an AXL-driven bypass mechanism emerges in almost all patients.

The trial, which is being conducted in the US, is evaluating the combination of bemcentinib and TARCEVA in up to 66 NSCLC patients in both first and second line settings (to prevent and reverse acquired resistance to TARCEVA, respectively).

Successful completion of the Phase Ib portion of the trial assessing the safety of the drug combination was announced earlier and data were presented at two medical congresses during 2017 by BerGenBio and by leading clinicians involved in the studies: at Precision: Lung Cancer Conference (Boston, USA) in July and at the 18th World Conference on Lung Cancer (Yokohama, Japan) in October.

The Phase II portion of the trial consists of two Arms (B and C) that test the hypothesis that bemcentinib can reverse and prevent resistance to EGFR targeted therapy, respectively, and patient enrolment is on schedule in both Arms.

In January 2018, the Group announced that the first efficacy endpoint was met in Arm B of the trial. This first stage of the Phase II portion of BGBC004 addresses the particularly hard to treat patient population who have progressed on approved EGFR therapy but are negative for the T790M resistance mutation. There are currently no treatment options available to these patients other than chemotherapy. Reintroduction of the EGFR inhibitor erlotinib – this time in combination with bemcentinib – led to an overall disease control rate of 33% at six weeks in a total of nine patients. Two patients remain on treatment and are doing well.

Arm C of the study is designed to evaluate the ability of bemcentinib to prevent acquired resistance to EGFR targeted therapy when given in combination with erlotinib first line. This Arm is recruiting patients with interim results expected mid 2018.

BerGenBio gained the required approvals from the US Food & Drug Administration (FDA) and from the ethics committees at the participating US hospitals prior to starting this study in the US where it is being conducted. The study is generating promising results in patients with advanced lung cancer. In November 2017, BerGenBio informed that the Group is in voluntary discussions with the Regional Ethics Committee (REK) in Bergen and the Norwegian Board of Health about gaining retrospective approval for the BGBC004 study.

In mid-March 2018, BerGenBio informed that the Company had received a notice of non-acceptance. BerGenBio is strongly committed to working towards a solution with the relevant authorities in Norway, and the Board is hopeful in reaching a solution.

In the meantime the clinical trial remains ongoing in the US, with an interim readout expected during 2018. The issue only relates to the BGBC004 study which is conducted in the US exclusively.

BGBIL005 – bemcentinib + docetaxel chemotherapy

An investigator-initiated Phase I/II study (BGBIL005) was opened in Q1 2017 at the University of Texas Southwestern Medical Center and is enrolling patients.

In this study, bemcentinib is being investigated in previously treated, relapsed/resistant NSCLC patients in combination with docetaxel chemotherapy.

The vast majority of NSCLC patients will receive chemotherapy at some stage in their treatment as previously described.

AXL is believed to play a significant role in mediating tumour resistance to chemotherapy and so combining bemcentinib may re-sensitise tumours to chemotherapy, thereby improving response rates.

Clinical data from the first cohort of patients indicated that bemcentinib taken in combination with the highly toxic chemotherapy agent docetaxel was manageable. Two out of six patients achieved a partial response, one further patient had prolonged disease stabilisation for ten cycles with evidence of tumour shrinkage and one patient had stable disease for five cycles.

Patient recruitment is ongoing with further read-outs expected during 2018.

Broader clinical programme targeting other cancer indications

BerGenBio's Phase II clinical development programmes in other cancer indications are also progressing towards read-outs during 2018.

The additional indications were selected based on commercial attractiveness and a correlation of AXL expression with poor prognosis to current treatment options. In addition, success in these trials will provide significant support to the universal potential of bemcentinib as a key component of combination therapy across multiple cancers.

BGBC007 – bemcentinib + KEYTRUDA (TNBC)

As mentioned above, bemcentinib is being investigated in a Phase II trial in combination with KEYTRUDA in triple-negative breast cancer (TNBC), also under the clinical collaboration with MSD.

Over 250,000 new cases of breast cancer will be diagnosed in the US in 2018, 20% of which are estimated to be of TNBC histology, i.e. lacking in receptors needed for existing targeted therapy and rendering the disease very aggressive. The median survival for metastatic TNBC is reported to be only around one year. Available treatment options for this sub-set of breast cancer patients are limited to cytotoxic chemotherapy in the first line and palliative chemotherapy in later lines.

Extending the survival outlook for this TBNC patients and offering a chemotherapy free treatment regimen therefore represents a commercially attractive opportunity – it is estimated that the uptake of such next-generation targeted therapies will expand the TNBC market to over $1bn in 2024.

BGBC007 is a two-stage, open label, single arm, international multi-centre Phase II study to assess the anti-tumour activity of bemcentinib in combination with KEYTRUDA. The study aims to enrol up to 56 patients with previously treated, locally advanced and unresectable or metastatic TNBC or triple negative inflammatory breast cancer.

The first patients in this study were dosed in October 2017. Initial results are expected to be presented during 2018.

BGBIL006 – bemcentinib combination study (melanoma)

The trial is an investigator-initiated randomised Phase II trial with bemcentinib in combination with MEKINIST plus TAFINLAR or KEYTRUDA in advanced melanoma. Patient recruitment in all three arms of the study is ongoing and seeks to demonstrate safety and efficacy of bemcentinib in combination with KEYTRUDA or MEKINIST/TAFINLAR in the first-line and second line setting. A parallel biomarker programme is ongoing with collaborators at Massachusetts Institute of Technology (MIT) and Harvard Medical School (Boston, USA).

Interim results from the study were presented in a poster at the 9th World Congress of Melanoma (Brisbane, Australia) in October by Dr Oddbjørn Straume, consultant oncologist at Haukeland University Hospital and Professor at the University of Bergen Centre for Cancer Biomarkers and sponsor of the trial. In the presentation Dr Straume reported that the recommended Phase II dose of bemcentinib in combination with MEKINIST/TAFINLAR had been established.

In addition, Dr Straume presented early data demonstrating that bemcentinib is well tolerated in combination with either MEKINIST/TAFINLAR or KEYTRUDA.

Further results are expected to be reported during 2018.

BGBC003 – bemcentinib ± chemotherapy (AML/MDS)

BerGenBio's ongoing study in leukaemia is investigating the use of bemcentinib as a monotherapy – to reactivate and re-sensitise the immune system to leukaemic cells – and also in combination with SoC chemotherapies (low dose cytarabine or decitabine), in patients with relapsed or refractory (R/R) acute myeloid leukaemia (AML) and myelodysplastic syndrome (MDS).

AML is the most common form of acute leukaemia diagnosed in over 20,000 patients in the US annually and is rapidly lethal if left untreated. About a third of MDS cases progress to AML. Successful treatment typically requires intensive therapy or bone marrow transplantation, however these treatment options are often not indicated in an elderly population and relapse and resistance are common. Consequently, there is an urgent need for effective novel therapies in R/R patients, particularly those that are ineligible for intensive therapy.

Board of Directors Report 2017 continued

The trial is currently recruiting patients into the Phase II dose-expansion and chemotherapy combination phase. Up to 75 patients are planned to be recruited at sites in Germany, Norway, Italy and the US, with a preliminary read-out during 2018.

Encouraging data from the study were presented at the ASH annual meeting (December 2017) and also at the ASCO-SITC Clinical Immuno-Oncology Symposium (January 2018). These data showed a clinical benefit and immunomodulatory effect of bemcentinib as well as describing a range of predictive biomarker candidates that correlated with clinical benefit derived from treatment with bemcentinib monotherapy.

Thirty-five R/R AML and MDS patients received bemcentinib as monotherapy; two patients achieved complete responses with incomplete recovery of peripheral counts (CRi) and five achieved partial responses (PR). Eight patients reported disease stabilisation for more than four months.

Over the course of treatment with bemcentinib, six of nine patients experienced a clear immunomodulatory effect as a result of selective AXL inhibition. This increased immune activity was characterised by a diversification of their T-cell receptor repertoire in peripheral blood and/or bone marrow.

In addition, three novel predictive biomarker candidates that correlated significantly with clinical benefit were detected in blood, bone marrow plasma or bone marrow cell samples from patients.

BGB149 AXL monoclonal antibody and preclinical pipeline

In addition to bemcentinib, which is a small molecule orally bioavailable AXL inhibitor, BerGenBio has developed a humanised monoclonal antibody, which shows high affinity and selectivity for AXL. The antibody prevents the activation of AXL by blocking the binding site for its natural ligand (Gas6).

A clinical candidate, BGB149, has been nominated and cell line development and manufacturing of the antibody is underway with a leading biologics manufacturer. BGB149 is planned to enter a clinical trial in 2018.

An anti-AXL antibody drug conjugate is partnered to and advanced through preclinical development by ADC Therapeutics SA for metastatic cancers.

Early stage research at BerGenBio is further expanding the understanding of the role of novel targets that regulate the transition of cancers into aggressive forms that acquire resistance to therapeutic intervention, while driving immunosuppression within the tumour microenvironment (processes collectively known as cellular plasticity).

BerGenBio has a pipeline of small molecule inhibitors targeting critical nodes in cellular plasticity. These novel first-in-class, immunomodulatory, proprietary drug candidates are being evaluated as new strategies for therapeutic intervention in oncology and other indications with related disease pathology.

Corporate Highlights

New Chair of the Board

Mr Stein Annexstad was elected new Chair of the Board in January 2017 bringing a wealth of industry experience. He is the former CEO of Nycomed AS (subsequently merged with Amersham Plc and thereafter merged with GE), and former Chairman of Algeta ASA, which was acquired by the pharmaceutical Group Bayer for NOK 17.6 billion in 2014.

UK subsidiary established

In January 2017, BerGenBio established BerGenBio Limited as a 100% owned and controlled subsidiary located in Oxford, UK. The Group's global clinical operations are managed from this office.

Non-dilutive grants to support its pipeline development

In January 2017, BerGenBio was awarded a NOK 15.7 million grant from the Research Council of Norway under the programme for user-driven Research based Innovation (BIA) to support the Group's investigator-initiated study programme.

In June 2017, BerGenBio was awarded a NOK 24 million IFU grant from Innovasjon Norge to support the Phase II clinical development of bemcentinib in combination with KEYTRUDA in patients with advanced lung cancer.

Risks and uncertainties

The Group operates in a highly competitive industry sector with many large players and may be subject to rapid and substantial technological change.

BerGenBio is currently in a development phase involving activities that entail exposure to various risks. BerGenBio's lead product candidate bemcentinib is currently in Phase II clinical trials. This is regarded as an early stage of development and the clinical studies may not prove to be successful. Timelines for completion of clinical studies are, to some extent, depending on external factors outside the control of the Group, including resource capacity at clinical trial sites, competition for patients, etc.

The financial success of BerGenBio and / or its commercial partners requires obtaining marketing authorisation and achieving an acceptable reimbursement price for its drugs. There can be no guarantee that the drugs will obtain the selling prices or reimbursement rates foreseen.

BerGenBio and / or its commercial partners will need approvals from the US Food & 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 future earnings are likely to be largely dependent on the timely marketing authorisation of bemcentinib for various indications.

BerGenBio has no interest-bearing debt. Financial risk is primarily related to fluctuations in interest rates on bank deposits which are placed in various banks.

BerGenBio undertakes various transactions in foreign currencies and is consequently exposed to fluctuations in exchange rates. The exposure arises largely from research expenses in USD, EUR and GBP.

BerGenBio's credit risk is limited, primarily associated with receivables from governmental grants.

Cash flow is monitored closely from both long and short-term perspectives through planning and reporting.

Management will continue to focus on efficient operations, good planning and close monitoring of the liquidity situation and maintaining a clear business development strategy.

Financial review

(Figures in brackets = same period 2016 unless stated otherwise)

Accounting policies

The financial statements of BerGenBio Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU on 31 December 2017. As BerGenBio ASA incorporated a subsidiary, BerGenBio Limited in 2017, the numbers for the Parent Company are disclosed for 2017 only and labelled ASA below.

Financial results

Operating revenues

BerGenBio Group did not have any operating revenues in 2017 or 2016.

Operating expenses

Total operating expenses for 2017 for the Group amounted to NOK 183.7 million, ASA NOK 179.6 million (NOK 131.6 million). Employee costs were NOK 28.8 million, ASA 21.3 million (NOK 20.6 million) for the full year 2017.

For the full year 2017 other operating costs amounted to NOK 154.7 million, ASA 158.1 million (110.8 million). The increase in operating costs is driven by expansion of clinical trials and preparations for new clinical trials. Costs are triggered when clinical trials meet specific milestones of progress, and as recruitment of patients to the clinical trials has progressed, costs have increased proportionately, in keeping with forecasts.

The Group has recognised government grants for a total of NOK 22.5 million, ASA NOK 22.5 million for the full year 2017. Payroll expenses have been reduced by NOK 2.5 million and operating expenses by NOK 20.0 million as a result of these government grants.

The operating loss for 2017 was NOK 183.7 million, ASA NOK 179.6 million (NOK 131.6 million), reflecting the increased level of activity related to the many clinical trials BerGenBio is conducting and progress made to trigger milestone payments.

Net financial profit was NOK 1.5 million, ASA NOK 1.5 million (1.8 million) for the full year 2017.

Losses after tax were NOK 182.2 million, ASA NOK 178.1 million (NOK 129.8 million) for the full year 2017.

Board of Directors Report 2017 continued

Financial position

Total assets at 31 December 2017 increased to NOK 384.3 million, ASA NOK 392.5 million (NOK 174.5 million at year-end 2016), mainly due to the capital raise completed in April 2017 as part of the IPO of the Group.

Total liabilities were NOK 34.0 million, ASA NOK 38.0 million (NOK 21.3 million).

Total equity as of 31 December 2017 was NOK 350.4 million, ASA NOK 354.5 million (NOK 153.3 million), corresponding to an equity ratio of 91.2%, ASA 90.3% (87.8%).

Cash flow

Net cash flow from operating activities was negative by NOK 168.1 million, ASA NOK -169.0 million for the full year 2017 (NOK -124.3 million), mainly driven by the increased level of activity related to the clinical trials the Group is conducting as well as milestone payments related to progress made.

Net cash flow used in investing activities during the full year was negative by NOK 0.3 million, ASA NOK -0.3 million (NOK -0.3 million).

Net cash flow from financing activities was NOK 377.0 million, ASA NOK 377.0 million (NOK 212.4 million), reflecting the share issue in April 2017 in relation to the completion of the IPO.

Cash and cash equivalents increased to NOK 370.4 million, ASA NOK 369.4 million (NOK 161.8 million).

Research and development

While the research and development strategy are designed in-house in BerGenBio, the Group 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 Group.

The Group has employed experienced personnel that are capable of directing work that is performed by the CROs. This approach to product development allows the Group 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 Group has currently no development expenditure that qualifies for recognition as an asset under IAS 38.

Financial risks

Interest rate risk

The Group holds cash and cash equivalents and does not have any borrowings. The Group'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.

Exchange rate risk

The value of non-Norwegian currency denominated costs will be affected by changes in currency exchange rates or exchange control regulations. The Group 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 Group is mainly exposed to fluctuations in euro (EUR), pounds sterling (GBP) and US dollar (USD).

The Group has chosen not to hedge its operational performance as the Group'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 Group might consider changing its current risk management of foreign exchange rate if it deems it appropriate.

Credit risk

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

The Group has not suffered any loss on receivables during 2017 and the Group considers its credit risk as low.

Liquidity risk

Liquidity is monitored on a continued basis by Group management. The Group works continuously to ensure financial flexibility in the short and long term to achieve its strategic and operational objectives. Management considers the Group's liquidity situation to be satisfactory. The Group secured equity funding of NOK 400 million gross in April 2017.

Non-financial risks

Technology risk

The Group's lead product candidate, bemcentinib (BGB324), is currently in Phase II clinical trials. This is regarded as an early stage of development and the Group's clinical studies may not prove to be successful.

Competitive technology

The Group 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 Group requires obtaining marketing authorisation and achieving an acceptable reimbursement price for its drugs. There can be no guarantee that the Group's drugs will obtain the selling prices or reimbursement rates foreseen by the Group.

The Group 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 Group's future earnings are likely to be largely dependent on the timely marketing authorisation of bemcentinib for various indications.

Going concern

The Board stated that the annual accounts represent a true and fair view on the Group'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.

Corporate social responsibility

BerGenBio's mission is to create value for patients, the society and its shareholders by discovering and developing novel medicines to treat aggressive cancers.

To ensure that patients, research and development partners, employees, shareholders and other stakeholders feel confident about its commitment to operate this business in accordance with responsible, ethical and sound corporate and business principles, the Group has established a set of ethical guidelines that are presented in its policy for corporate social responsibility (CSR policy). These guidelines provide 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 CSR policy applies to all employees and Board members in the Group, and is available from the Group's website. By agreement, the ethical guidelines may also apply to independent consultants, intermediaries or others acting on behalf of BerGenBio. Material breaches of the ethical guidelines may result in termination of employment.

BerGenBio is subject to corporate social responsibility reporting requirements under section 3-3c of the Norwegian Accounting Act. The Group 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 thus not yet been prioritised but will be developed along with the continuous development of BerGenBio's products and operations.

Health, safety and working environment

BerGenBio promotes an open and strong corporate culture, with a healthy, safe and fair work environment in accordance with applicable laws and regulations. BerGenBio will not use force of any form or involuntary labour or employ any persons below the legal minimum age.

At year end, BerGenBio employed 26 people (26 people), of which 15 in Bergen and 11 in Oxford. The working environment in the Group is regarded as good.

Absence due to illness for the year totalled 172 working days (99 working days), which corresponds to 4.32 per cent (1.8 per cent) of total working days. No work-related incidents or accidents were registered in 2017 (0).

BerGenBio promotes a productive and inclusive working environment, free from harassment, discrimination and disrespectful behaviour. All employees are offered equal opportunities with regards to hiring, compensation, training, promotion, termination or retirement, regardless of gender, age, ethnic and national origin, religion, sexual orientation, social background or other distinguishing characteristics. The Group has traditionally recruited from environments where the number of women and men is relatively equally represented. At the end of the year, two out of eight executives in the management team were women. Among the Board of Directors, three out of seven Board members are women.

Board of Directors Report 2017 continued

BerGenBio seeks to offer competitive remuneration to all employees, reflecting their education, experience and professional qualifications. The Group has also implemented a share option programme for its employees to promote mutually long-term interests between employees, the Group and its shareholders. The programme also serves to attract and retain senior management. Further information can be found in Note 6 to the 2017 annual financial statements.

Business ethics and anti-corruption

BerGenBio follows existing principles, regulations and guidelines to ensure the highest ethical standards in its research. BerGenBio also works to minimise the risk that volunteers and patients are exposed to. All employees as well as external contractors are required to strictly adhere to the Group's guidelines for Ethics in Research & Development.

The Group takes a zero tolerance stance towards corruption, money laundering and insider trading. All employees are encouraged to report any breaches of Group regulations. No incidents were reported in 2017.

Environmental impact

BerGenBio strives to minimise its impact on the environment, and its activities are subject to strict requirements in terms of quality, safety and impacts on personal health and the environment.

The Group 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 2017, there were 49,922,200 ordinary shares outstanding, up from 336,922 shares at year end 2016, following the IPO in April 2017.

The Group had more than 2,000 shareholders at 31 December 2017.

Subsequent events

EGM

On 9 March 2018, the Board of Directors was granted an authorisation to increase the share capital with up to NOK 499,222 by subscription of up to 4,999,220 new shares, which constitutes 10% of the Group's outstanding shares. The purpose of the authorisation is to permit the issue of new shares to strengthen the Group's equity and to increase the liquidity and/or to broaden the Group's shareholder base with domestic and international investors that may include healthcare specialist investors.

Outlook

The Group's broad Phase II clinical programme with bemcentinib, pipeline of AXL inhibitors, strategic plan and flexibility, in conjunction with funds raised from its IPO in the first half of 2017, provide a strong foundation to create and deliver significant value for shareholders during 2018.

The Board considers that the clinical development programmes are making good progress towards reaching the important value-inflection points during 2018: key clinical read-outs are expected mid 2018 and targeted around the annual American Society of Clinical Oncology (ASCO) meeting in June.

Positive results from these studies are expected to position bemcentinib as potential future cornerstone of cancer combination therapy. Such results will also inform future clinical trials and support an accelerated regulatory process towards marketing authorisation and commercialisation.

Bergen, 5 April 2018, The Board of Directors/CEO, BerGenBio ASA

Stein H. Annexstad, Chairman | **Susan Foden** | **Sveinung Hole**

Jon Øyvind Eriksen | **Hilde Furberg** | **Kari Grønås**

Stener Kvinnsland | **Richard Godfrey (CEO)**

Confirmation from the Board of Directors and CEO

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2017 have been prepared in accordance with IFRS as adopted by EU and the Norwegian Accounting Act and give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations, and that the Report of the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company together with a description of the key risks and uncertainty factors that the Company is facing.

Bergen, 5 April 2018, The Board of Directors/CEO, BerGenBio ASA

Stein H. Annexstad, Chairman
Susan Foden
Sveinung Hole
Jon Øyvind Eriksen
Hilde Furberg
Kari Grønås
Stener Kvinnsland
Richard Godfrey (CEO)

Consolidated income statement and other comprehensive income

1 January – 31 December
(NOK 1000)

	Note	2017	2016
Revenue	4	–	–
Employee benefit expenses	5, 7, 10	28,827	20,561
Depreciation	8	193	207
Other operating expenses	7, 9, 13	154,687	110,802
Total operating expenses		183,708	131,570
Operating profit		(183,708)	(131,570)
Finance income	11	4,168	3,031
Finance expense	11	2,668	1,260
Financial items, net		1,500	1,771
Profit before tax		(182,208)	(129,799)
Income tax expense	12	–	–
Profit after tax		(182,208)	(129,799)
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)
Total comprehensive income for the year		(182,208)	(130,888)
Earnings per share:			
– Basic and diluted per share	14	(4.01)	(419.68)

Consolidated statement of financial position

31 December
(NOK 1000)

	Note	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	8	557	410
Total non-current assets		557	410
Current assets			
Other current assets	15	13,430	12,302
Cash and cash equivalents	16, 20	370,350	161,825
Total current assets		383,780	174,126
TOTAL ASSETS		384,336	174,536
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Share capital	17	4,992	3,369
Share premium	17	325,018	131,875
Other paid in capital	6, 17	20,340	18,026
Total paid in capital		350,350	153,270
Total equity		350,350	153,270
Current liabilities			
Accounts payable		21,575	10,703
Other current liabilities	18	9,391	5,721
Provisions	19	3,020	4,843
Total current liabilities		33,986	21,266
Total liabilities		33,986	21,266
TOTAL EQUITY AND LIABILITIES		384,336	174,536

Bergen, 5 April 2018, The Board of Directors/CEO, BerGenBio ASA

Stein H. Annexstad, Chairman
Susan Foden
Sveinung Hole
Jon Øyvind Eriksen
Hilde Furberg
Kari Grønås
Stener Kvinnsland
Richard Godfrey (CEO)

Consolidated statement of changes in equity

(NOK 1000)

	Note	Share capital	Share premium	Equity-settled share-based payments	Total equity
Balance at 1 January 2017		3,369	131,875	18,026	153,270
Profit after tax		–	(182,208)	–	(182,208)
Other comprehensive income/(loss) for the year, net of income tax	–	–	–	–	–
Total comprehensive income for the year		–	(182,208)	–	(182,208)
Recognition of share-based payments	5, 6	–	–	2,314	2,314
Issue of ordinary shares	17	1,623	400,673	–	402,296
Share issue costs	17	–	(25,322)	–	(25,322)
Balance at 31 December 2017		4,992	325,018	20,340	350,350

	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
Profit after tax		–	(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	17	890	212,819	–	213,709
Share issue costs		–	–	–	–
Balance at 31 December 2016		3,369	131,875	18,026	153,270

Consolidated statement of cash flows

1 January – 31 December
(NOK 1000)

	Note	2017	2016
Cash flow from operating activities			
Profit before tax		(182,208)	(129,799)
Non-cash adjustments to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	8	193	207
Calculated interest element on convertible loan	11	–	19
Share-based payment expense	5	2,314	5,702
Movement in provisions and pensions	10, 19	(1,823)	(2,099)
Working capital adjustments:			
Decrease in trade and other receivables and prepayments		(1,128)	(4,263)
Increase in trade and other payables		14,543	5,919
Net cash flow from operating activities		(168,109)	(124,314)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(340)	(255)
Net cash flow used in investing activities		(340)	(255)
Cash flows from financing activities			
Proceeds from issue of share capital	17	402,296	212,220
Share issue cost		(25,322)	
Proceeds from borrowings, convertible loan		–	(1,307)
Conversion of loan by issue of share capital		–	1,489
Net cash flow from financing activities		376,974	212,402
Net increase/(decrease) in cash and cash equivalents		208,525	87,832
Cash and cash equivalents at beginning of period	16	161,825	73,993
Cash and cash equivalents at end of period	16	370,350	161,825

Notes to the consolidated financial statements

Note 1 – Corporate information

BerGenBio ASA ("the Company") and its subsidiary (together "the Group") is a clinical-stage biopharmaceutical company focused on developing a pipeline of first-in-class AXL kinase inhibitors as a potential cornerstone of combination cancer therapy. The Company is a world leader in understanding the essential role of AXL kinase in mediating cancer spread, immune evasion and drug resistance in multiple aggressive solid and haematological cancers.

BerGenBio's lead product, bemcentinib (BGB324), is a selective, potent and orally bio-available small molecule AXL inhibitor in four Company sponsored Phase II clinical trials in major cancer indications, with read-outs anticipated during 2018. It is the only selective AXL inhibitor in clinical development.

BerGenBio ASA is a limited public liability company incorporated and domiciled in Norway. The address of the registered office is Jonas Lies vei 91, 5009 Bergen, Norway.

BerGenBio retains strategic flexibility for the further development and commercialisation of its product candidates: it is anticipated that the high novelty of bemcentinib plus its promising therapeutic profile will make it (and later other pipeline candidates) attractive targets for strategic partnering; a "Go-to market" strategy will also be considered in select indications in discrete territories.

The condensed consolidated financial statements cover the year ending 31 December 2017 and were approved for issue by the Board of Directors on 5 April 2018.

Note 2 – Basis for preparation and significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have consistently been applied in all periods presented. Amounts are in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK 1000), except when otherwise indicated. The functional currency of the Group is NOK.

Basis for preparation

The condensed consolidated financial statements for the Group have been prepared in accordance with IFRS as adopted by the EU.

Basis for consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2017. The subsidiary is BerGenBio Limited, located in Oxford in the United Kingdom and is 100% owned and controlled by the parent Company BerGenBio ASA. BerGenBio Limited was incorporated 10.01.2017 with a share capital of NOK 1,044. Since the Group was established in 2017 the comparative figures for 2016 are for the Company only.

Going concern

The Group 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. An IPO and capital increase of gross NOK 400 million was successfully completed on 7 April 2017, and thus the Board of Directors has reasonable expectation that the Group will maintain adequate resources to continue in operational existence for the foreseeable future. The financial statements are prepared under the going concern assumption.

Summary of significant accounting policies

The new and amended standards and interpretations from IFRS that were adopted by the EU with effect from 2017 did not have any significant impact on the reporting for 2017.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group'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 Group'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 Group 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 or 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 Group 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 five years
- Other equipment five 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.

Investment in subsidiaries

Subsidiaries are consolidated in the Group Financial statement. In the Company Financial Statement subsidiaries are accounted at cost.

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 Group 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 Group 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 Group has not entered into any finance lease arrangements.

Notes to the consolidated financial statements continued

Note 2 – Basis for preparation and significant accounting policies continued

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 (Available For Sale) 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 Group's financial assets include loans and receivables.

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

Loans and receivables

This category is the most relevant to the Group. 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 are 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 Group 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 Group's financial liabilities include trade and other payables, and loans and borrowings.

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

Derecognition

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

Convertible loan

The Group does not have any convertible loan agreements as per 31 December 2017. 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 Group operates an equity-settled, share-based compensation plan, under which the Group 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 Group'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 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 Group 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 Group 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 Other Comprehensive Income or directly in equity.

Foreign currencies

The Group's financial statements are presented in NOK, which is also the Parent 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.

Notes to the consolidated financial statements continued

Note 2 – Basis for preparation and significant accounting policies continued

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 Group 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 Consolidated Income Statement and other Comprehensive Income 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 Group decided to change the defined benefit scheme to a defined contribution scheme. Under the defined contribution scheme, the Group does not commit itself to paying specific future pension benefits, but makes annual contributions to the employees' pension savings.

The Group's payment to the defined contribution scheme amounts to 7% of salary up to 12G and additional 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 are expected to have material impact on the Group's financial position, performance, and/or disclosures are discussed. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

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.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group has not yet decided on which approach to apply.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

Other standards

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

Note 3 – Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, 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

Preparation of the accounts in accordance with IFRS requires the use of judgment, estimates and assumptions that have consequences for recognition in the balance sheet of assets and liabilities and recorded revenues and expenses. The use of estimates and assumptions is based on the best discretionary judgment of the Group's management.

Share-based payments

The Group 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 Group had no revenues in 2017 and 2016.

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

Note 5 Payroll and related expenses

	2017	2016
Salaries	22,860	15,937
Social security tax	3,296	5,601
Pension expense	1,770	(3,741)
Bonus	2,170	725
Share option expense employees	2,314	2,555
Accrued social security tax on share options	(1,823)	3,147
Other remuneration	749	536
Government grants	(2,508)	(4,199)
Total payroll and related expenses	28,827	20,561
Average number of full time equivalent employees	24	21

Notes to the consolidated financial statements continued

Note 5 Payroll and related expenses continued

Management remuneration

Total remuneration to management during the year ended 31 December 2017

			Salary	Bonus	Pension expense	Other remuneration
Richard Godfrey (CEO)		A)	2,269,644	288,970	178,618	10,884
Petter Nielsen (CFO)		B)	1,397,560	521,463	173,623	10,884
James B Lorens (CSO)	1)	C)	463,382	143,130	36,324	6,492
Murray Yule (Clinical Development Officer)		D)	2,216,608	–	155,163	–
Anthony Brown (Director of Research)		E)	1,277,188	124,276	89,403	–
Viki Wills (Director of Clinical Operations)			1,299,347	–	90,954	–
Total remuneration			8,923,728	1,077,839	724,084	28,260,

1) Employed part-time in a 20% position.

For management participating in the option programme, the expense charged to the profit or loss for 2017 is as follows:

A) Richard Godfrey, NOK 1,896,609
B) Petter Nielsen, NOK 310,595
C) James Lorens, NOK 1,401,656
D) Murray Yule, NOK 242,586
E) Anthony Brown, NOK 535,551

The CEO of BerGenBio ASA, Richard Godfrey, has the right to receive 12 months' salary and benefits in the case of involuntary termination of his employment.

In the event that the employment agreement is terminated within 18 months of a change of control in the Company the CEO is entitled to compensation of 18 months' salary and the buy back of his shares of fair market value at his sole discretion.

Total remuneration to management during the year ended 31 December 2016

			Salary	Bonus	Pension expense	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 programme, the expense charged to the profit or loss for 2016 is as follows:

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

The CEO of BerGenBio ASA, Richard Godfrey, has the right to receive 12 months' salary and benefits in the case of involuntary termination of his employment.

In the event that the employment agreement is terminated within 18 months of a change of control in the Company the CEO is entitled to compensation of 18 months' salary and the buy back of his shares of fair market value at his sole discretion.

Board of Directors remuneration

The remuneration to the Board of Directors for the year ended 31 December 2017.

		Served since	Served until	2017	2016
Stein Holst Annexstad	A)	February 2016		365	147
Susan Foden	B)	September 2011		160	175
Jon Øyvind Eriksen		January 2012		190	147
Sveinung Hole	C)	February 2016		190	147
Stener Kvinnsland	D)	September 2015		160	160
Hilde Furberg	E)	June 2015		175	283
Kari Grønås	F)	February 2016		175	147
John Barrie Ward	G)	June 2012	February 2016	–	13
David Ian Wilson	H)	June 2013	February 2016	–	12
Kåre Rommetveit		June 2014	June 2015	–	–
Total remuneration				1,415	1,231

For members of the Board of Directors participating in the option programme, the expense charged to the profit or loss for 2017 (2016) is as follows:

A) Stein H. Annexstad, NOK 50,748 (2016: 101,115)
B) Susan Foden, NOK 121,442 (2016: 302,776)
C) Sveinung Hole, NOK 50,748 (2016: 101,115)
D) Stener Kvinnsland, NOK 50,748 (2016: 101,115)
E) Hilde Furberg, NOK 78,722 (2016: 168,523)
F) Kari Grønås, NOK 47,232 (2016: 101,115)
G) John Barrie Ward, NOK 0 (2016: 14,132)
H) David Ian Wilson, NOK 0 (2016: 14,132)

Notes to the consolidated financial statements continued

Note 5 Payroll and related expenses continued

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

Option holder	Number of options outstanding	Grant date	Expiry date	Exercise price (NOK)
Richard Godfrey	50,000	10-Sep-10	31-Dec-19	5.65
	100,000	27-May-11	31-Dec-19	7.56
	75,000	21-Jun-12	31-Dec-19	10.62
	150,000	3-Sep-13	3-Sep-21	10.62
	75,000	13-Jun-13	13-Jun-21	10.62
	120,000	11-Jun-14	11-Jun-22	11.15
	275,000	22-May-15	22-May-23	16.01
	100,000	1-Jan-16	1-Jan-24	24.00
James B Lorens	50,000	10-Sep-10	31-Dec-19	5.65
	25,000	27-May-11	31-Dec-19	7.56
	75,000	21-Jun-12	31-Dec-19	10.62
	55,000	3-Sep-13	3-Sep-21	10.62
	100,000	13-Jun-13	13-Jun-21	10.62
	70,000	11-Jun-14	11-Jun-22	11.15
	275,000	22-May-15	22-May-23	16.01
	50,000	1-Jan-16	1-Jan-24	24.00
Petter Nielsen	100,000	22-May-15	22-May-23	16.01
	50,000	1-Jan-16	1-Jan-24	24.00
Anthony Brown	100,000	2-Sep-15	2-Sep-23	16.01
	50,000	1-Jan-16	1-Jan-24	24.00
Murray Yule	100,000	3-Sep-13	3-Sep-21	10.62
	50,000	1-Jan-16	1-Jan-24	24.00
Susan Foden	100,000	18-Jun-12	18-Jun-20	10.62
	55,000	3-Sep-13	3-Sep-21	10.62
	25,000	20-Jun-13	20-Jun-21	10.62
	50,000	19-Jun-14	19-Jun-22	11.15
	37,500	1-Feb-16	1-Feb-24	24.00
Hilde Furberg	25,000	1-Feb-16	1-Feb-24	24.00
Kari Grønås	15,000	1-Feb-16	1-Feb-24	24.00
Total	2,402,500			

In the annual general meeting on 22 March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. The table above takes into account the share split.

Note 6 Employee share option programme

The Group has a share option scheme for employees. Each option gives the right to acquire one share of BerGenBio on exercise.

The Group has a share option programme to ensure focus and align the Group's long-term performance with shareholder values and interest. Most of the employees in the Group take part in the option programme. The programme 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.

Primarily the options vest at the earlier of an 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	225,000	Sep 2010	Dec 2017/2019	5.65
Granted in May 2011	175,000	May 2011	Dec 2017/2019	7.56
Granted in June 2012	285,000	Jun 2012	Dec 2017/2019	10.62
Granted in June 2012	225,000	Jun 2012	Jun 2020	10.62
Granted in June 2013	360,000	Jun 2013	Jun 2021	10.62
Granted in September 2013	400,000	Sep 2013	Sep 2021	10.62
Granted in June 2014	280,000	Jun 2014	Jun 2022	11.15
Granted in May 2015	650,000	May 2015	May 2023	16.01
Granted in September 2015	260,000	Sep 2015	Sep 2023	16.01
Granted in January 2016	400,000	Jan 2016	Jan 2024	24.00
Granted in February 2016	122,500	Feb 2016	Feb 2024	24.00
Granted in December 2017	50,000	Dec 2017	Dec 2025	22.00
Forfeited in 2015	(7,500)			10.62
Forfeited in 2016	(50,000)			16.01
Exercised in 2017	(230,000)			9.98
Forfeited and cancelled in 2017*	(220,000)			12.33
Total	2,925,000			

In the annual general meeting on 22 March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. The overview above takes into account the share split.

* The exercise price is calculated as the weighted average exercise price of the forfeited and cancelled options.

Notes to the consolidated financial statements continued

Note 6 Employee share option programme continued

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at 1 January	3,325,000	13.66	28,525	1,181.05
Granted during the year	50,000	22.00	5,225	2,400
Exercised during the year	(230,000)	9.98	–	–
Forfeited and cancelled	(220,000)	12.33	(500)	1,601.00
Balance at 31 December	2,925,000	14.20	33,250	1,224.93

In the annual general meeting on 22 March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. The 2017 figure in the table above takes into account the share split.

50,000 options were granted in 2017 with an exercise price of NOK 22. The weighted average fair value of the options granted in 2016 was NOK 1,012, totalling NOK 1.2 million.

	2017	2016
Options vested at 1 January	2,211,900	11,426
Exercised and forfeited in the period	(280,000)	–
Vested in the period	959,767	10,693
Options vested at 31 December	2,891,667	22,119
Total outstanding number of options	2,925,000	33,250
Total intrinsic value at the end of the period (NOK000)	–	34,371

In the annual general meeting on 22 March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. For figures in 2017 the overview above takes into account the share split.

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 Group has estimated an expected vesting date and this date is used as basis for the expected lifetime. The Group 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 Group and experience from other companies in combination with the relatively long lifetime of these options (up to eight years).

For valuation purposes 70% expected future volatility has been applied. As BerGenBio recently went public it has limited history of volatility in its share price, therefore the historical volatility of similar listed companies has been used as a benchmark for expected volatility.

For the 12 month period ending 31 December 2017 the value of the share options expensed through the profit or loss amounts to NOK 2.3 million (for the same period in 2016: NOK 5.7 million). In addition a provision for social security contributions on share options of NOK -1.8 million (for the same period in 2016: NOK 3.3 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

	2017	2016
Payroll and related expenses	2,508	4,199
Other operating expenses	19,971	13,575
Total	22,479	17,774

Grants receivable as at 31 December are detailed as follows:

	2017	2016
Grants from Research Council, BIA	4,840	2,879
Grants from Research Council, PhD	–	257
Grants from SkatteFunn	6,958	7,703
Total	11,798	10,839

BIA grants from the Research Council:

BerGenBio currently has two grants from the Research Council programme for user-driven innovation arena (BIA).

The first BIA grant ("Novel therapeutics targeting the EMT/AXL pathway in aggressive cancers") totals NOK 13.2 million and covers the period from May 2014 to April 2017. The Group has recognised NOK 1.4 million (2016: NOK 3.9 million) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

The second BIA grant ("AXL targeting therapeutics to treat fibrotic diseases") totals NOK 12.0 million and covers the period from April 2015 to March 2018. The Group has recognised NOK 2.5 million (2016: NOK 5.1 million) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

The third BIA grant ("Investigator-Initiated Trials for AXL driven cancers with high unmet clinical need") totals NOK 15.1 million and covers the period from February 2017 to January 2021. The Group has recognised NOK 4.0 million (2016: NOK 0.0 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 Group has recognised NOK 0.4 million (2016: 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 programme designed to stimulate R&D in Norwegian trade and industry) for the period from 2016 until the end of 2017. The Group has recognised NOK 7.0 million in 2017 (2016: NOK 7.7 million) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

Innovasjon Norge:

BerGenBio has been awarded a NOK 24 million (USD2.85m) grant from Innovasjon Norge to support the clinical development of BGB324 in combination with Merck & Co.'s KEYTRUDA® (pembrolizumab) in patients with advanced lung cancer.

The grant from Innovasjon Norge is an Industrial Development Award (IFU). The IFU programme is directed to Norwegian companies developing new products or services in collaboration with foreign companies. BerGenBio received NOK 7.2 million in Q4 2017 of this grant. The grant may be withdrawn under certain circumstances.

Notes to the consolidated financial statements continued

Note 8 Property, plant and equipment

Year ended 31 December 2017	IT equipment	Furniture and fittings	Total
Cost at 1 January 2017	16	1,134	1,150
Additions in the year	–	340	340
Disposals in the year	–	–	–
Cost at 31 December 2017	16	1,474	1,490
Accumulated depreciation at 1 January 2017	(15)	(725)	(740)
Depreciation in the year	(1)	(192)	(193)
Accumulated depreciation at 31 December 2017	(16)	(917)	(933)
Net carrying amount at 31 December 2017	–	557	557
Estimated useful life	5 years	5 years	
Depreciation method	Straight-line	Straight-line	

Year ended 31 December 2016	IT equipment	Furniture and fittings	Total
Cost at 1 January 2016	16	879	895
Additions in the year	–	255	255
Disposals in the year	–	–	–
Cost at 31 December 2016	16	1 134	1 150
Accumulated depreciation at 1 January 2016	(12)	(521)	(533)
Depreciation in the year	(3)	(204)	(207)
Accumulated depreciation 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	

Research & Development

Expenses for research and development for the financial year 2017 was NOK 137.5 million of which NOK 132.0 million was classified as other operating expenses and NOK 5.5 million was classified as payroll.

For 2016 NOK 101.9 million was expensed for research and development, of which NOK 98.2 million was classified as other operating expenses and NOK 3.8 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.

Note 9 Leases

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

The Group 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 five plus five years. The rental agreements can be terminated by either party with a 12-month notice period.

The annual rental amount, including the share of common variable expense, for the premises is NOK 386,506 (2016: NOK 359,517).

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

Under the same rental agreement the Group has access to the use of defined scientific equipment at a cost of NOK 41,993 (2016: NOK 40,770) per employee per year. The price is subject to a yearly adjustment of 3.5%.

From September 2015 the Group rents an office in Magdalen Centre, The Oxford Science Park, UK. The rental agreements can be terminated by either party with a one-month notice period. The monthly rental amount is GBP 6,100.

Future minimum rental payable for premises	2017	2016
Within 1 year	466	469
Within 1-5 years	–	–
Over 5 years	–	–
Total	466	469

Note 10 Pensions

The Group 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 Norwegian pension scheme which complies with the Act on mandatory Company pensions.

As of 1 October 2016, BerGenBio transitioned from a 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 was 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 were 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 year's pension costs are calculated as follows:	2017	2016
Current service cost	–	1,365
Interest expense/(income)	–	95
Administration costs	–	26
Payroll tax	–	210
Converting to defined contribution scheme	–	(5,362)
Total	–	(3,666)

Notes to the consolidated financial statements continued

Note 11 Financial income and expense

	2017	2016
Financial income		
Interest income on tax repaid	18	13
Interest income on bank deposits	2,796	1,525
Other finance income	1,355	1,492
Total financial income	4,168	3,031

	2017	2016
Financial expense		
Other interest expense	31	6
Calculated market interest rate on convertible loan	–	19
Other finance expense	2,637	1,235
Total financial expense	2,668	1,260
Net financial income	1,500	1,771

Note 12 Income tax

	2017	2016
Profit before tax	(182,208)	(129,801)
Income taxes calculated at 24% (2016: 25%)	(43,730)	(32,450)
Non deductible expenses	(1,119)	(504)
Effect of change in tax rate	5,464	3,626
Change in deferred tax asset not recognised	39,385	29,328
Tax expense	–	–

Deferred tax and deferred tax assets

	2017	2016
Deferred tax assets		
Tax losses carried forward	(543,450)	(358,920)
Property, plant and equipment	23	79
Other	(3,020)	(4,843)
Deferred tax asset not recognised	546,447	362,595
Deferred tax asset not recognised in other comprehensive income (OCI)		1,089
Deferred tax assets – gross	–	–

The Group has a tax loss of NOK 185 million in 2017, and in total a tax loss carried forward as of 31 December 2017 of NOK 543 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.

Note 13 Other operating expenses

	2017	2016
Programme expenses, clinical trials and research	106,468	60,839
Milestone and licence payments to Rigel Pharmaceuticals	27,921	31,148
Office rent and expenses	1,553	1,439
Consultants R&D projects	12,519	17,039
Patent and licence expenses	4,424	2,680
Other operating expenses	21,774	11,231
Government grants	(19,971)	(13,575)
Total	154,687	110,802

Specification auditor's fee

	2017	2016
Statutory audit	211	160
Other assurance services	152	40
Tax consultant services	121	158
Total	484	358

Amounts are excluding VAT

Note 14 Earnings per share

	2017	2016
Profit after tax	(182,208)	(129,799)
Average number of outstanding shares during the year	45,494,721	309,279
Earnings (loss) per share – basic and diluted (NOK)	(4.01)	(419.68)

Share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognised as potential ordinary shares shall only 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 Group is currently loss-making, an increase in the average number of shares would have anti-dilutive effects.

In the annual general meeting on 22 March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. The 2017 figures in the overview above takes into account the share split.

Note 15 Other current assets

	2017	2016
Government grants	11,798	10,839
Refundable VAT	458	1,063
Prepaid expenses	438	218
Other receivables	735	182
Total	13,430	12,302

Notes to the consolidated financial statements continued

Note 16 Cash and cash equivalents

	2017	2016
Employee withholding tax	717	615
Deposits	21	21
Short-term bank deposits	369,611	161,189
Total	370,350	161,825

Of the total balance in cash and cash equivalents, NOK 0.7 million (2016: NOK 0.6 million) relates to restricted funds for employee withholding taxes.

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

Note 17 Share capital and shareholder information

The Group 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 2017	49,922,200	0.1	4,992,220
Ordinary shares 2016	336,922	10	3,369,220

Changes in the outstanding number of shares

	2017	2016
Ordinary shares at 1 January	336,922	247,924
Issue of ordinary shares, prior to share split	500	88,425
Issue of ordinary shares from conversion of loan	–	573
Effect of share split (1 to 100) 22 March 2017	33,404,778	–
Issue of ordinary shares, after share split	16,180,000	–
Ordinary shares at 31 December	49,922,200	336,922

Ownership structure as at 31 December 2017

Shareholder		Number of shares	Percentage share of total shares
METEVA AS		14,923,000	29.9%
INVESTINOR AS		6,609,800	13.2%
SARSIA SEED AS		2,117,900	4.2%
VERDIPAPIRFONDET ALFRED BERG GAMBA		1,852,500	3.7%
MP PENSJON PK		1,830,300	3.7%
KLP AKSJENORGE		1,306,901	2.6%
JPMORGAN CHASE BANK, N.A., LONDON	NOM	1,272,000	2.5%
DATUM INVEST AS		1,209,200	2.4%
SARSIA DEVELOPMENT AS		1,195,000	2.4%
BERA AS		1,084,800	2.2%
NORSK INNOVASJONSKAPITAL II AS		973,100	1.9%
VPF NORDEA AVKASTNING		972,354	1.9%
KOMMUNAL LANDSPENSJONSKASSE		946,919	1.9%
VERDIPAPIRFONDET ALFRED BERG NORGE		845,000	1.7%
JPMORGAN CHASE BANK, N.A., LONDON	NOM	720,000	1.4%
VPF NORDEA KAPITAL		700,000	1.4%
VERDIPAPIRFONDET ALFRED BERG AKTIV		552,500	1.1%
BIRK VENTURE AS		500,000	1.0%
STATOIL PENSJON		440,000	0.9%
FLU AS		360,000	0.7%
Top 20 shareholders		40,411,274	80.9%
Total other shareholders		9,510,926	19.1%
Total number of shares		49,922,200	100.0%

The Board of Directors has been granted a mandate from the general meeting held on 22 March 2017 to increase the share capital with up to NOK 329,340 by subscription of new shares. The power of attorney was granted for the purpose of issuance of new shares in accordance with the Group's share incentive programme and is valid until the earlier of the annual general meeting in 2018 or 30 June 2018.

Notes to the consolidated financial statements continued

Note 17 Share capital and shareholder information continued

Shares in the Group held by the management group

	Current position within the Company	Employed since	2017	2016
Richard Godfrey 1)	Chief Executive Officer	January 2009	160,408	1,589
James B Lorens	Chief Scientific Officer	January 2009	250,000	2,500
Petter Nielsen	Chief Financial Officer	February 2015	1,508	–
Total shares held by management			411,916	4,089

1) Richard Godfrey holds 160,408 shares in the Group through Gnist Holding AS.

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

	Position	Served since	Served until	2017	2016
Stein H. Annexstad 1)	Chairman	February 2016		7,539	–
Susan Elizabeth Foden	Board Member	September 2011		6,700	67
Hilde Furberg 2)	Board Member	June 2015		3,769	–
Kari Grønås 3)	Board Member	February 2016		4,522	–
John Barrie Ward	Board Member	June 2012	February 2016	–	45
David Ian Wilson	Board Member	June 2013	February 2016	–	44
Total shares held by members of the Board of Directors				22,530	156

1) Stein H. Annexstad holds 7,539 shares in the Group through Holstein AS, a closely associated company of Stein H. Annexstad.

2) Hilde Furberg holds 3,769 shares in the Group through J&J Future Invest AS, a closely associated company of Hilde Furberg.

3) Kari Grønås holds 4,522 shares in the Group through K og K AS, a closely associated company of Kari Grønås.

In the general meeting on the 22nd of March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. The 2017 figures in the overview above takes into account the share split.

Note 18 Other current liabilities

	2017	2016
Unpaid duties and charges	1,896	1,160
Unpaid vacation pay	1,290	1,368
Other accrued costs	6,205	3,192
Total	9,391	5,721

Note 19 Provisions

	Social security contributions on share options	Total
Balance at 1 January 2017	4,843	4,843
Additional provisions recognised	(1,823)	(1,823)
Balance at 31 December 2017	3,020	3,020
Current	3,020	3,020
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 the difference between market price and strike price. Market price of the shares at the reporting date is the best estimate of market price at the date of exercise.

Note 20 Financial instruments and risk management objectives and policies

The Group'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 Group has chosen not to put in place any measures to mitigate the potential unpredictability of the financial markets. The Group has NOK 370.35 million in cash and cash equivalents at year end. The main purpose of this is to finance the Group's activities and ongoing clinical trials. The Group 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. All financial assets and liabilities are short-term in nature and their carrying value approximates fair value.

The Group does not currently 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 Group undertakes various transactions in foreign currencies and is consequently exposed to fluctuations in exchange rates. The exposure arises largely from research expenses. The Group is mainly exposed to fluctuations in euro (EUR), pounds sterling (GBP) and US dollar (USD).

The Group has chosen not to hedge its operational performance as the Group'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 Group might consider changing its current risk management of foreign exchange rate if it deems it necessary.

Interest rate risk

The Group holds NOK 370.35 million in cash and cash equivalents and does not have any borrowings. The Group'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 Group had NOK 2.8 million in interest income as of 31 December 2017.

Credit risk

Credit risk is the risk of counterparty's default in a financial asset, liability or customer contract, giving a financial loss. The Group's receivables are generally limited to receivables from public authorities by way of government grants. The credit risk generated from financial assets in the Group 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 Group has not suffered any loss on receivables during 2017 and the Group considers its credit risk as low.

Notes to the consolidated financial statements continued

Note 20 Financial instruments and risk management objectives and policies continued

Liquidity risk

Liquidity is monitored on a continual basis by Group management. Management considers the Group's liquidity situation to be satisfactory. The Group raised NOK 377 million in an initial public offering in 2017. Management is working on securing additional funding for the Group, aiming at securing funding through 2019. The cash position of the Group at year end 2017 was NOK 370.35 million, compared to NOK 161.8 million in 2016.

Capital management

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

Note 21 Subsidiary

The Group's subsidiary at 31 December 2017 is out below. The share capital consists solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of entity	BerGenBio Limited
Place of business	Oxford, U.K.
Ownership interest held by the Group	100%
Principal activities	Management of clinical studies

The Oxford team

Income statement and other comprehensive income BerGenBio ASA

1 January – 31 December
(NOK 1000)

	Note	2017	2016
Revenue	4	–	–
Employee benefit expenses	[5, 7, 10]	21,341	20,561
Depreciation	8	193	207
Other operating expenses	[7, 9, 13]	158,062	110,802
Total operating expenses		179,596	131,570
Operating profit		(179,596)	(131,570)
Finance income	11	4,092	3,031
Finance expense	11	2,599	1,260
Financial items, net		1,492	1,771
Profit before tax		(178,104)	(129,799)
Income tax expense	12	–	–
Profit after tax		(178,104)	(129,799)
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)
Total comprehensive income for the year		(178,104)	(130,888)
Earnings per share:			
– Basic and diluted per share	14	(3.91)	(419.68)

Statement of financial position BerGenBio ASA

31 December
(NOK 1000)

	Note	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	8	557	410
Total non-current assets		557	410
Current assets			
Other current assets	15, 21	22,507	12,302
Cash and cash equivalents	16, 20	369,426	161,825
Total current assets		391,933	174,126
TOTAL ASSETS		392,489	174,536
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Share capital	17	4,992	3,369
Share premium	17	329,122	131,875
Other paid in capital	6, 17	20,340	18,026
Total paid in capital		354,454	153,270
Total equity		354,454	153,270
Current liabilities			
Accounts payable	21	25,970	10,703
Other current liabilities	18	9,046	5,721
Provisions	19	3,020	4,843
Total current liabilities		38,035	21,266
Total liabilities		38,035	21,266
TOTAL EQUITY AND LIABILITIES		392,489	174,536

Bergen, 5 April 2018, The Board of Directors/CEO, 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 BerGenBio ASA

	Note	Share capital	Share premium	Equity-settled share-based payments	Total equity
Balance at 1 January 2017		3,369	131,875	18,026	153,270
Loss for the year		–	(178,104)	–	(178,104)
Other comprehensive income (loss) for the year, net of income tax		–	–	–	–
Total comprehensive income for the year		–	(178,104)	–	(178,104)
Recognition of share-based payments	5, 6	–	–	2,314	2,314
Issue of ordinary shares	18	1,623	400,673	–	402,296
Share issue costs	18	–	(25,322)	–	(25,322)
Balance at 31 December 2017		4,992	329,122	20,340	354,454

	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

Statement of cash flows BerGenBio ASA

1 January – 31 December
(NOK 1000)

	Note	2017	2016
Cash flow from operating activities			
Profit before tax		(178,104)	(129,799)
Non-cash adjustments to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	8	193	207
Calculated interest element on convertible loan	11, 16		19
Share-based payment expense	5	2,314	5,702
Movement in provisions and pensions	10,19	(1,823)	(2,099)
Working capital adjustments:			
Decrease in trade and other receivables and prepayments		(10,205)	(4,263)
Increase in trade and other payables		18,593	5,919
Net cash flow from operating activities		(169,032)	(124,314)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(340)	(255)
Net cash flow used in investing activities		(340)	(255)
Cash flows from financing activities			
Proceeds from issue of share capital	17	402,296	212,220
Share issue cost		(25,322)	
Proceeds from borrowings, convertible loan		–	(1,307)
Conversion of loan by issue of share capital		–	1,489
Net cash flow from financing activities		376,974	212,402
Net increase/(decrease) in cash and cash equivalents		207,601	87,832
Cash and cash equivalents at beginning of period	16	161,825	73,993
Cash and cash equivalents at end of period	16	369,426	161,825

Notes to the financial statements BerGenBio ASA

Note 1 – Corporate information

BerGenBio ASA ("the Company") is a clinical-stage biopharmaceutical company focused on developing a pipeline of first-in-class AXL kinase inhibitors as a potential cornerstone of combination cancer therapy. The Company is a world leader in understanding the essential role of AXL kinase in mediating cancer spread, immune evasion and drug resistance in multiple aggressive solid and haematological cancers.

BerGenBio's lead product, bemcentinib (BGB324), is a selective, potent and orally bio-available small molecule AXL inhibitor in four Company sponsored Phase II clinical trials in major cancer indications, with read-outs anticipated during 2018. It is the only selective AXL inhibitor in clinical development.

BerGenBio ASA is a limited public liability company incorporated and domiciled in Norway. The address of the registered office is Jonas Lies vei 91, 5009 Bergen, Norway.

BerGenBio retains strategic flexibility for the further development and commercialisation of its product candidates: it is anticipated that the high novelty of bemcentinib plus its promising therapeutic profile will make it (and later other pipeline candidates) attractive targets for strategic partnering; a "Go-to market" strategy will also be considered in select indications in discrete territories.

The financial statements for the Company cover the year ending 31 December 2017 and were approved for issue by the Board of Directors on 5 April 2018.

Note 2 – Basis for preparation and significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have consistently been applied in all periods presented. Amounts are in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK 1000), except when otherwise indicated. The functional currency of the Company is NOK.

Basis for preparation

The condensed consolidated financial statements for the Group have been prepared in accordance with IFRS as adopted by the EU.

Going concern

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. An IPO and capital increase of gross NOK 400 million was successfully completed on 7 April 2017, and thus the Board of Directors has reasonable expectation that the Group will maintain adequate resources to continue in operational existence for the foreseeable future. The financial statements are prepared under the going concern assumption.

Summary of significant accounting policies

The new and amended standards and interpretations from IFRS that were adopted by the EU with effect from 2017 did not have any significant impact on the reporting for 2017.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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.

Note 2 – Basis for preparation and significant accounting policies continued

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 Group 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 or 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 five years
- Other equipment five 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.

Investment in subsidiaries

Subsidiaries are consolidated in the Group Financial statement. In the Company Financial Statement subsidiaries are accounted at cost.

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.

Notes to the financial statements BerGenBio ASA continued

Note 2 – Basis for preparation and significant accounting policies continued

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 are 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.

Derecognition

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

Convertible loan

The Company does not have any convertible loan agreements as per 31 December 2017. 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 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.

Notes to the financial statements BerGenBio ASA continued

Note 2 – Basis for preparation and significant accounting policies continued

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 Income Statement and other Comprehensive Income 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.

The Company's payment to the defined contribution scheme amounts to 7% of salary up to 12G and additional 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 are expected to have material impact on the Group's financial position, performance, and/or disclosures are discussed. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

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.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group has not yet decided on which approach to apply.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

Other standards

Other standards, interpretations and amendments that are issued, but not yet effective are either not applicable for the Group 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 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

Preparation of the accounts in accordance with IFRS requires the use of judgment, estimates and assumptions that have consequences for recognition in the balance sheet of assets and liabilities and recorded revenues and expenses. The use of estimates and assumptions is based on the best discretionary judgment of the Company's management.

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 2017 and 2016.

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

	2017	2016
Salaries	17,211	15,937
Social security tax	900	5,601
Pension expense	1,328	(3,741)
Bonus	1,347	725
Share option expense employees	2,314	5,702
Other remuneration	749	536
Government grants	(2,508)	(4,199)
Total payroll and related expenses	21,341	20,561
Average number of full time equivalent employees	18	21

Notes to the financial statements BerGenBio ASA continued

Note 5 Payroll and related expenses continued

Management remuneration

Total remuneration to management during the year ended 31 December 2017

			Salary	Bonus	Pension cost	Other remuneration
Richard Godfrey (CEO)		A)	2,269,644	288,970	178,618	10,884
Petter Nielsen (CFO)		B)	1,397,560	521,463	173,623	10,884
James B Lorens (CSO)	1)	C)	463,382	143,130	36,324	6,492
Murray Yule (Clinical Development Officer)	2)	D)	547,663	–	38,336	–
Anthony Brown (Director of Research)	3)	E)	315,589	124,276	22,091	–
Viki Wills (Director of Clinical Operations)	3)		321,059	–	22,474	–
Total remuneration			5,314,897	1,077,839,	471,466,	28,260,

1) Employed part-time in a 20% position
2) Employed part-time in an 80% position since 1 November 2016. Employed in BerGenBio LTD from April 2017
3) Employed in BerGenBio LTD from April 2017

For management participating in the option programme, the expense charged to the profit or loss for 2017 is as follows:

A) Richard Godfrey, NOK 1,896,609
B) Petter Nielsen, NOK 310,595
C) James Lorens, NOK 1,401,656
D) Murray Yule, NOK 242,586
E) Anthony Brown, NOK 535,551

The CEO of BerGenBio ASA, Richard Godfrey, has the right to receive 12 months' salary and benefits in the case of involuntary termination of his employment.

In the event that the employment agreement is terminated within 18 months of a change of control in the Company the CEO is entitled to compensation of 18 months' salary and the buy back of his shares of fair market value at his sole discretion.

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 programme, the expense charged to the profit or loss for 2016 is as follows:

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

The CEO of BerGenBio ASA, Richard Godfrey, has the right to receive 12 months' salary and benefits in the case of involuntary termination of his employment.

In the event that the employment agreement is terminated within 18 months of a change of control in the Company the CEO is entitled to compensation of 18 months' salary and the buy back of his shares of fair market value at his sole discretion.

Board of Directors remuneration

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

		Served since	Served until	2017	2016
Stein Holst Annexstad	A)	February 2016		365	147
Susan Foden	B)	September 2011		160	175
Jon Øyvind Eriksen		January 2012		190	147
Sveinung Hole	C)	February 2016		190	147
Stener Kvinnsland	D)	September 2015		160	160
Hilde Furberg	E)	June 2015		175	283
Kari Grønås	F)	February 2016		175	147
John Barrie Ward	G)	June 2012	February 2016	–	13
David Ian Wilson	H)	June 2013	February 2016	–	12
Kåre Rommetveit		June 2014	June 2015	–	–
Total remuneration				1,415	1,231

For members of the Board of Directors participating in the option programme, the expense charged to the profit or loss for 2017 (2016) is as follows:

A) Stein H. Annexstad, NOK 50,748 (2016: 101,115)
B) Susan Foden, NOK 121,442 (2016: 302,776)
C) Sveinung Hole, NOK 50,748 (2016: 101,115)
D) Stener Kvinnsland, NOK 50,748 (2016: 101,115)
E) Hilde Furberg, NOK 78,722 (2016: 168,523)
F) Kari Grønås, NOK 47,232 (2016: 101,115)
G) John Barrie Ward, NOK 0 (2016: 14,132)
H) David Ian Wilson, NOK 0 (2016: 14,132)

Notes to the financial statements BerGenBio ASA continued

Note 5 Payroll and related expenses continued

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

Option holder	Number of options outstanding	Grant date	Expiry date	Exercise price (NOK)
Richard Godfrey	50,000	10-Sep-10	31-Dec-19	5.65
	100,000	27-May-11	31-Dec-19	7.56
	75,000	21-Jun-12	31-Dec-19	10.62
	150,000	3-Sep-13	3-Sep-21	10.62
	75,000	13-Jun-13	13-Jun-21	10.62
	120,000	11-Jun-14	11-Jun-22	11.15
	275,000	22-May-15	22-May-23	16.01
	100,000	1-Jan-16	1-Jan-24	24.00
James B Lorens	50,000	10-Sep-10	31-Dec-19	5.65
	25,000	27-May-11	31-Dec-19	7.56
	75,000	21-Jun-12	31-Dec-19	10.62
	55,000	3-Sep-13	3-Sep-21	10.62
	100,000	13-Jun-13	13-Jun-21	10.62
	70,000	11-Jun-14	11-Jun-22	11.15
	275,000	22-May-15	22-May-23	16.01
	50,000	1-Jan-16	1-Jan-24	24.00
Petter Nielsen	100,000	22-May-15	22-May-23	16.01
	50,000	1-Jan-16	1-Jan-24	24.00
Anthony Brown	100,000	2-Sep-15	2-Sep-23	16.01
	50,000	1-Jan-16	1-Jan-24	24.00
Murray Yule	100,000	3-Sep-13	3-Sep-21	10.62
	50,000	1-Jan-16	1-Jan-24	24.00
Susan Foden	100,000	18-Jun-12	18-Jun-20	10.62
	55,000	3-Sep-13	3-Sep-21	10.62
	25,000	20-Jun-13	20-Jun-21	10.62
	50,000	19-Jun-14	19-Jun-22	11.15
	37,500	1-Feb-16	1-Feb-24	24.00
Hilde Furberg	25,000	1-Feb-16	1-Feb-24	24.00
Kari Grønås	15,000	1-Feb-16	1-Feb-24	24.00
Total	2,402,500			

In the annual general meeting on 22 March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. The overview above takes into account the share split.

Note 6 Employee share option programme

The Company has a share option scheme for employees. Each option gives the right to acquire one share of the Company on exercise.

The Company has a share option programme 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 programme. The programme 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.

Primarily the options vest at the earlier of an 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	225,000	Sep 2010	Dec 2017/2019	5.65
Granted in May 2011	175,000	May 2011	Dec 2017/2019	7.56
Granted in June 2012	285,000	Jun 2012	Dec 2017/2019	10.62
Granted in June 2012	225,000	Jun 2012	Jun 2020	10.62
Granted in June 2013	360,000	Jun 2013	Jun 2021	10.62
Granted in September 2013	400,000	Sep 2013	Sep 2021	10.62
Granted in June 2014	280,000	Jun 2014	Jun 2022	11.15
Granted in May 2015	650,000	May 2015	May 2023	16.01
Granted in September 2015	260,000	Sep 2015	Sep 2023	16.01
Granted in January 2016	400,000	Jan 2016	Jan 2024	24.00
Granted in February 2016	122,500	Feb 2016	Feb 2024	24.00
Granted in December 2017	50,000	Dec 2017	Dec 2025	22.00
Forfeited in 2015	(7,500)			10.62
Forfeited in 2016	(50,000)			16.01
Exercised in 2017	(230,000)			9.98
Forfeited and cancelled in 2017*	(220,000)			12.33
Total	2,925,000			

In the annual general meeting on 22 March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. The table above takes into account the share split.

* The exercise price is calculated as the weighted average exercise price of the forfeited and cancelled options.

Notes to the financial statements BerGenBio ASA continued

Note 6 Employee share option programme continued

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at 1 January	3,325,000	13.66	28,525	1,181.05
Granted during the year	50,000	22.00	5 225	2,400
Exercised during the year	(230,000)	9.98	–	–
Forfeited and cancelled	(220,000)	12.33	(500)	1,601.00
Balance at 31 December	2,925,000	14.20	33,250	1,224.93

In the annual general meeting on 22 March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. The 2017 figures in the table above takes into account the share split.

50,000 options were granted in 2017 with an exercise price of NOK 22. The weighted average fair value of the options granted in 2016 was NOK 1,012, totalling NOK 1.2 million.

	2017	2016
Options vested at 1 January	2,211,900	11,426
Exercised and forfeited in the period	(280,000)	–
Vested in the period	959,767	10,693
Options vested at 31 December	2,891,667	22,119
Total outstanding number of options	2,925,000	33,250
Total intrinsic value at the end of the period (NOK000)	–	34,371

In the annual general meeting on 22 March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. For figures in 2017 the overview above takes into account the share split.

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 eight years).

For valuation purposes 70% expected future volatility has been applied. As the Company recently went public it has limited history of volatility in its share price, therefore the historical volatility of similar listed companies has been used as a benchmark for expected volatility.

For the 12 month period ending 31 December 2017 the value of the share options expensed through the profit or loss amounts to NOK 2.3 million (for the same period in 2016: NOK 5.7 million). In addition a provision for social security contributions on share options of NOK –1.8 million (for the same period in 2016: NOK 3.3 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

	2017	2016
Payroll and related expenses	2,508	4,199
Other operating expenses	19,971	13,575
Total	22,479	17,774

Grants receivable as at 31 December are detailed as follows:

	2017	2016
Grants from Research Council, BIA	4,840	2,879
Grants from Research Council, PhD	–	257
Grants from SkatteFunn	6,958	7,703
Total	11,798	10,839

BIA grants from the Research Council:

The Company currently has two grants from the Research Council, programmes for user-managed innovation arena (BIA).

The first BIA grant ("Novel therapeutics targeting the EMT/AXL pathway in aggressive cancers") totals NOK 13.2 million and covers the period from May 2014 to April 2017. The Company has recognised NOK 1.4 million (2016: NOK 3.9 million) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

The second BIA grant ("AXL targeting therapeutics to treat fibrotic diseases") totals NOK 12.0 million and covers the period from April 2015 to March 2018. The Company has recognised NOK 2.5 million (2016: NOK 5.1 million) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

The third BIA grant ("Investigator-Initiated Trials for AXL driven cancers with high unmet clinical need") totals NOK 15.1 million and covers the period from February 2017 to January 2021. The Company has recognised NOK 4.0 million (2016: NOK 0.0 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 0.4 million (2016: 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 programme designed to stimulate R&D in Norwegian trade and industry) for the period from 2016 until the end of 2017. The Company has recognised NOK 7.0 million in 2017 (2016: NOK 7.7 million) classified partly as reduction of payroll and related expenses and partly as a cost reduction of other operating expenses.

Innovasjon Norge:

BerGenBio has been awarded a NOK 24 million (USD2.85m) grant from Innovasjon Norge to support the clinical development of BGB324 in combination with Merck & Co.'s KEYTRUDA® (pembrolizumab) in patients with advanced lung cancer.

The grant from Innovasjon Norge is an Industrial Development Award (IFU). The IFU programme is directed to Norwegian companies developing new products or services in collaboration with foreign companies. BerGenBio received NOK 7.2 million in Q4 2017 of this grant. The grant may be withdrawn under certain circumstances.

Notes to the financial statements BerGenBio ASA continued

Note 8 Property, plant and equipment

Year ended 31 December 2017	IT equipment	Furniture and fittings	Total
Cost at 1 January 2017	16	1,134	1,150
Additions in the year	–	340	340
Disposals in the year	–	–	–
Cost at 31 December 2017	16	1,474	1,490
Accumulated depreciation at 1 January 2017	(15)	(725)	(740)
Depreciation in the year	(1)	(192)	(193)
Accumulated depreciation at 31 December 2017	(16)	(917)	(933)
Net carrying amount at 31 December 2017	–	557	557
Estimated useful life	5 years	5 years	
Depreciation method	Straight-line	Straight-line	

Year ended 31 December 2016	IT equipment	Furniture and fittings	Total
Cost at 1 January 2016	16	879	895
Additions in the year	–	255	255
Disposals in the year	–	–	–
Cost at 31 December 2016	16	1,134	1,150
Accumulated depreciation at 1 January 2016	(12)	(521)	(533)
Depreciation in the year	(3)	(204)	(207)
Accumulated depreciation 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	

Research & development

Expenses for research and development for the financial year 2017 was NOK 137.5 million of which NOK 132.0 million was classified as other operating expenses and NOK 5.5 million was classified as payroll.

For 2016 NOK 101,9 million was expensed for research and development, of which NOK 98.2 million was classified as other operating expenses and NOK 3.8 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.

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 five plus five years. The rental agreements can be terminated by either party with a 12 month notice period.

The annual rental amount, including the share of common variable expense, for the premises is NOK 386,506 (2016: NOK 359,517).

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 41,993 (2016: NOK 40,770) 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 one month notice period. The rental agreement was transferred to BerGenBio LTD from 1th October 2017.

Future minimum rental payable for premises	2017	2016
Within 1 year	398	469
Within 1–5 years	–	–
Over 5 years	–	–
Total	398	469

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 of 1 October 2016, BerGenBio transitioned from a 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 were 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 year's pension costs are calculated as follows:	2017	2016
Current service cost	–	1,365
Interest expense/(income)	–	95
Administration costs	–	26
Payroll tax	–	210
Converting to defined contribution scheme	–	(5,362)
Total	–	(3,666)

Notes to the financial statements BerGenBio ASA continued

Note 11 Financial income and expense

	2017	2016
Financial income		
Interest income on tax repaid	18	13
Interest income on bank deposits	2,796	1,525
Other finance income	1,278	1,492
Total financial income	4,092	3,031

	2017	2016
Financial expense		
Other interest expense	31	6
Calculated market interest rate on convertible loan	–	19
Other finance expense	2,568	1,235
Total financial expense	2,599	1,260
Net financial income	1,492	1,771

For interest calculation on the convertible loan see Note 17

Note 12 Income tax

	2017	2016
Profit before tax	(178,104)	(129,801)
Income taxes calculated at 24% (2016: 25%)	(42,745)	(32,450)
Non deductible expenses	(1,119)	(504)
Effect of change in tax rate	5,464	3,626
Change in deferred tax asset not recognised	38,399	29,328
Tax expense	–	–
Deferred tax and deferred tax assets		
Deferred tax assets		
Tax losses carried forward	(543,450)	(358,920)
Property, plant and equipment	23	79
Other	(3,020)	(4,843)
Deferred tax asset not recognised	546,447	362,595
Deferred tax asset not recognised in other comprehensive income (OCI)	–	1,089
Deferred tax assets – gross	–	–

The Company has a tax loss of NOK 185 million in 2017, and in total a tax loss carried forward as of 31 December 2017 of NOK 543 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.

Note 13 Other operating expenses

	2017	2016
Programme expenses	106,468	60,839
Office rent and expenses	1,553	1,439
Consultants R&D projects	12,519	17,039
Patent and licence expenses	32,345	33,829
Other operating expenses	25,148	11,231
Government grants	(19,971)	(13,575)
Total	158,062	110,802

Specification auditor's fee

	2017	2016
Statutory audit	211	160
Other assurance services	152	40
Other non-assurance services	–	–
Tax consultant services	121	158
Total	484	358

Amounts are excluding VAT

Note 14 Earnings per share

	2017	2016
Profit after tax	(178,104)	(129,799)
Average number of outstanding shares during the year	45,494,721	309,279
Earnings (loss) per share – basic and diluted (NOK)	(3.91)	(419.68)

Share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognised as potential ordinary shares shall only 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.

In the annual general meeting on 22 March 2017 it was resolved a split of the shares so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. The 2017 figures in the overview above takes into account the share split.

Notes to the financial statements BerGenBio ASA continued

Note 15 Other current assets

	2017	2016
Government grants	11,798	10,839
Refundable VAT	458	1,063
Prepaid expenses	438	218
Other receivables	9,812	182
Total	22,507	12,302

Note 16 Cash and cash equivalents

	2017	2016
Employee withholding tax	717	615
Deposits	21	21
Short-term bank deposits	368,688	161,189
Total	369,426	161,825

Of the total balance in cash and cash equivalents, NOK 0.7 million (2016: 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 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 2017	49,922,200	0.1	4,992,220
Ordinary shares 2016	336,922	10	3,369,220

Changes in the outstanding number of shares

	2017	2016
Ordinary shares at 1 January	336,922	247,924
Issue of ordinary shares, prior to share split	500	88,425
Issue of ordinary shares from conversion of loan	–	573
Effect of share split (1 to 100) 22 March 2017	33,404,778	–
Issue of ordinary shares, after share split	16,180,000	–
Ordinary shares at 31 December	49,922,200	336,922

Ownership structure as at 31 December 2017

Shareholder		Number of shares	Percentage share of total shares
METEVA AS		14,923,000	29.9%
INVESTINOR AS		6,609,800	13.2%
SARSIA SEED AS		2,117,900	4.2%
VERDIPAPIRFONDET ALFRED BERG GAMBA		1,852,500	3.7%
MP PENSJON PK		1,830,300	3.7%
KLP AKSJENORGE		1,306,901	2.6%
JPMORGAN CHASE BANK, N.A., LONDON	NOM	1,272,000	2.5%
DATUM INVEST AS		1,209,200	2.4%
SARSIA DEVELOPMENT AS		1,195,000	2.4%
BERA AS		1,084,800	2.2%
NORSK INNOVASJONSKAPITAL II AS		973,100	1.9%
VPF NORDEA AVKASTNING		972,354	1.9%
KOMMUNAL LANDSPENSJONSKASSE		946,919	1.9%
VERDIPAPIRFONDET ALFRED BERG NORGE		845,000	1.7%
JPMORGAN CHASE BANK, N.A., LONDON	NOM	720,000	1.4%
VPF NORDEA KAPITAL		700,000	1.4%
VERDIPAPIRFONDET ALFRED BERG AKTIV		552,500	1.1%
BIRK VENTURE AS		500,000	1.0%
STATOIL PENSJON		440,000	0.9%
FLU AS		360,000	0.7%
Top 20 shareholders		40,411,274	80.9%
Total other shareholders		9,510,926	19.1%
Total number of shares		49,922,200	100.0%

The Board of Directors has been granted a mandate from the general meeting held on 22 March 2017 to increase the share capital with up to NOK 329,340 by subscription of new shares. 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 the earlier of the annual general meeting in 2018 and 30 June 2018.

Shares in the Company held by the management group

	Current position within the Company	Employed since	2017	2016
Richard Godfrey[1)]	Chief Executive Officer	January 2009	160,408	1,589
James B Lorens	Chief Scientific Officer	January 2009	250,000	2,500
Petter Nielsen	Chief Financial Officer	February 2015	1,508	–
Total shares held by management			411,916	4,089

1) Richard Godfrey holds 160,408 shares in the Company through Gnist Holding AS.

Notes to the financial statements BerGenBio ASA continued

Note 17 Share capital and shareholder information continued

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

	Position	Served since	Served until	2017	2016
Stein H. Annexstad[1)]	Chairman	February 2016		7,539	–
Susan Elizabeth Foden	Board Member	September 2011		6,700	67
Hilde Furberg[2)]	Board Member	June 2015		3,769	–
Kari Grønås[3)]	Board Member	February 2016		4,522	–
John Barrie Ward	Board Member	June 2012	February 2016	–	45
David Ian Wilson	Board Member	June 2013	February 2016	–	44
Total shares held by members of the Board of Directors				22,530	156

1) Stein H. Annexstad holds 7,539 shares in the Company through Holstein AS, a closely associated company of Stein H. Annexstad.

2) Hilde Furberg holds 3,769 shares in the Company through J&J Future Invest AS, a closely associated company of Hilde Furberg.

3) Kari Grønås holds 4,522 shares in the Company through K og K AS, a closely associated company of Kari Grønås.

In the general meeting on the 22nd of March 2017 it was resolved a split of the share so that one share with a nominal value of NOK 10 was split into 100 shares with a nominal value of NOK 0.10. The 2017 figures in the overview above takes into account the share split.

Note 18 Other current liabilities

	2017	2016
Unpaid duties and charges	1,649	1,160
Unpaid vacation pay	1,290	1,368
Other accrued costs	6,107	3,192
Total	9,046	5,721

Note 19 Provisions

	Social security contributions on share options	Total
Balance at 1 January 2017	4,843	4,843
Additional provisions recognised	(1,823)	(1,823)
Balance at 31 December 2017	3,020	3,020
Current	3,020	3,020
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 the difference between market price and strike price. The market price of the shares at the reporting date is the best estimate of market price at the date of exercise.

Note 20 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 369.4 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. All financial assets and liabilities are short-term in nature and their carrying value approximates fair value.

The Company does not currently 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 369.4 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 2.8 million in interest income as of 31 December 2017.

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 2017 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 377 million in private placements in 2017. Management is working on securing additional funding for the Company, aiming at securing funding through 2019. The cash position of the Company at year end 2017 was NOK 369.4 million, compared to NOK 161.8 million in 2016.

Capital management

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

Note 21 Inter-company transactions

	2017	2016
Short time receivables – BerGenBio Limited	9,153	–
Trade payable BerGenBio Limited	(4,750)	–
Net receivable	4,403	–

The inter-company receivable is due to BerGenBio ASA is purchasing services from BerGenBio Limited.

Note 22 Subsidiary

The Group's subsidiary at 31 December 2017 are set out below. The share capital consist solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of entity	BerGenBio Limited
Place of business	Oxford, U.K.
Ownership interest held by the Group	100%
Principal activities	Management of clinical studies

Auditors report

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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 financial statements of Bergenbio ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2017, the statements of income and other comprehensive income, the statements of cash flows and 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and cash flows 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 and the Group 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report

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 and Chief Executive Officer (management) are 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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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.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditors report continued

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

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 and in the statements on corporate governance and corporate social responsibility 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 has fulfilled its 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 April 2018
ERNST & YOUNG AS

Jørn Knutsen
State Authorised Public Accountant (Norway)

Glossary

Abbreviation	Description
BGBio	BerGenBio ticker symbol on Oslo Stock Exchange
IPO	Initial Public Offering
IFU	Innovasjon Norges industrial development award
AML	Acute Myeloid Leukaemia
MDS	Myelodysplastic Syndrome
NSCLC	Non-Small Cell Lung Cancer
TNBC	Triple Negative Breast Cancer
UK	United Kingdom
ADC	Antibody-Drug Conjugate
MSD	Merck & Co., Inc., d.b.a. Merck Sharp & Dohme outside the United States and Canada
R&D	research & development
CRO	contract research organization
MD	medical doctor
WHO	World Health Organisation
CAGR	compound annual growth rate
IO	immune oncology
CPI	immune checkpoint inhibitor
EGFR	epidermal growth factor receptor
BRAF	B-Raf proto-oncogene
FDA	Food and Drug Administration
PhD	Doctor of philosophy
ERC	European Research Council
US	United States
EU	European Union
TAF	TAFINLAR®
MEK	MEKINIST®
CCBIO	Centre for Cancer Biomarkers
BFS	Bergen Research Foundation
SSM	Sarsia Seed Management
BGB	BerGenBio
ASCO-SITC	ASCO -SITC Clinical Immuno-Oncology Symposium
AON	AON Hewitt Limited
OSE	Oslo Exchange

Glossary continued

Abbreviation	Description
NASDAQ	National Association of Securities Dealers Automated Quotations
LSE	London Stock Exchange
F	France
FI	Finland
SUI	Switzerland
STI-scheme	short term incentive scheme
IND	Investigational New Drug
CMC	chemistry, manufacturing and controls
LTP	long term incentive plan
NCGB/NUES	The Norwegian Corporate Governance Board
IFRS	International Financial Reporting Standards
AGM	Annual General Meeting
EY	Ernst and Young AS
GDPR	General Data Protection Regulation
KPI	Key Performance Indicator
IR	investor relations
SoC	standard of care
ASCO	American Society of Clinical Oncology
REK	Regional Ethics Committee
MIT	Massachusetts Institute of Technology
GE	General Electrics
BIA	The Norwegian Research council's User-driven Research based Innovation programme
EMA	European Medicines Agency
CRi	complete response with incomplete recovery of peripheral counts
PR	partial response
CSR	corporate social responsibility
EGM	Extraordinary General Meeting
AFS	available for sale
EIR	effective interest rate
OCI	other comprehensive income

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