Annual Report 2012

BIONORPHARMA

bionorpharma.com

Contents

LIST OF ABBREVIATIONS : **ART** Antiretroviral therapy (conventional HIV medication) **CMV** Cytomegalovirus **HCV** Hepatitis-C Virus **HIV** Human Immunodeficiency Virus **HPV** Human papillomavirus **CD4** T (helper)-cell **CD8** T (killer)-cell

Introduction to Bionor Pharma

Bionor Pharma is a leading biotechnology company, searching for breakthrough products for the treatment and prevention of life-threatening viral diseases. The primary focus is the development of HIV vaccines, aimed at providing a "functional cure"* for HIV.

Global leader in the development of HIV vaccines

Bionor Pharma is a biotechnology company, developing vaccines for viral infections, listed on the Oslo Stock Exchange. The vaccines are based on a proprietary technology platform developed following more than two decades of research into peptides, and they are designed to safely stimulate the immune system to combat viral diseases. The Company has a leading position in the global research field for therapeutic HIV vaccines, and has two vaccine candidates in the clinical stage of development: Vacc-4x aims to induce long lasting virus control by training immune cells to seek out and kill virus-producing cells, and Vacc-C5 is designed to induce antibodies to HIV that can reduce the harmful hyperactivation of the immune system which can lead to AIDS. The foremost candidate, Vacc-4x, has shown a statistically significant reduction in viral load in a phase II randomized, multinational, double-blind, placebo-controlled study. The Company's innovative technology platform is also well positioned to develop vaccines for other viral diseases, such as Influenza, HCV (Hepatitis C), HPV (Human papillomavirus) and CMV (Cytomegalovirus).

Four vaccine candidates in development:

HIV vaccine, Vacc-4x: 1. Clinical phase II study, combining Vacc-4x with Celgene's immune modulator Revlimid® (Lenalidomide), to investigate whether Revlimid enhances the effect of Vacc-4x in this placebo-controlled study in HIV patients with an impaired immune system. 2. Clinical phase II study, with Reboost in patients from the previous phase II study, aimed at reducing viral load even further.

HIV vaccine, Vacc-C5: Clinical phase I/II study, to investigate safety and whether the vaccine induces antibodies against HIV in humans.

HIV vaccine, Vacc-HIV (combination of Vacc-4x and Vacc-C5): A preclinical study is in preparation. The rationale behind Vacc-HIV is that this combination should prove more efficacious than each vaccine individually.

Universal influenza vaccine, Vacc-Flu: This vaccine is in the preclinical phase of development. Vacc-Flu is designed to produce long lasting immunity, and to be effective against all seasonal variations of influenza A.

Our researchers have managed to find the areas of viruses that do not change even though the virus mutates. The patented, modified peptide vaccines are then designed to guide the immune system to attack these weak parts of the virus.

* Enabling people to live long-term with no active HIV replication or disease progression in the absence of ongoing antiretroviral therapy.

Highlights 2012

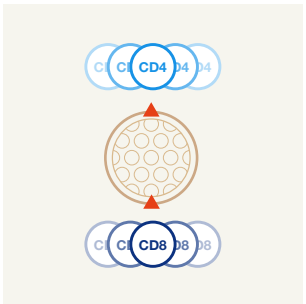
Bionor Pharma made considerable progress in vaccine development in 2012. Important milestones were the initiation of three further clinical trials with the Company`s HIV vaccines Vacc-4x and Vacc-C5. Another notable event was the release of the final viral load data from the large phase II study with Vacc-4x, showing a statistically significant reduction in viral load compared to placebo.

May

Jerome B. Zeldis, CEO Celgene Global Health and CMO of Celgene Corp., and Benedicte Fossum were appointed new members of the Board of Directors at the annual general meeting.

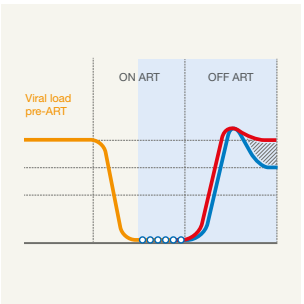
January

Bionor Pharma files international patent application for the humoral technology platform.



February

Final results of viral load data were released for the large placebo-controlled phase II study with Vacc-4x.



First data released from nasal administration study with the HIV Vaccine Vacc-4x together with Endocine, documenting immune responses and safety of administration.

Approval received for conduct of First Time In Man phase I/II study with the second HIV therapeutic vaccine, Vacc-C5, at Oslo University Hospital.

June

Patent application submitted for Vacc-HIV (a combination of Vacc-4x and Vacc-C5), a therapeutic HIV vaccine potentially more efficacious than Vacc-4x and Vacc-C5 individually.

Patent application submitted covering vaccines for influenza, hepatitis C, cytomegalovirus and human papillomavirus.

August

Study of Vacc-4x combined with Celgene's Revlimid® in HIV patients with an impaired immune system was approved to be conducted at four clinics in Germany.

Map data: ©2013 Google, INEGI

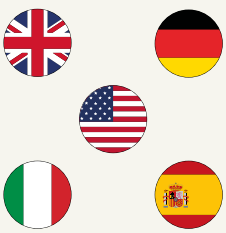
July

"GLOBVAC Awards Bionor Pharma US$1.7 Million to Advance Research Towards an HIV Cure Using Vaccine Vacc-4x."

GLOBVAC
Global Health and Vaccination Research
Forskningsrådet

December

Final approvals received for conducting international (five countries) phase II study to reboost patients from the completed Vacc-4x phase II study.



Outlook

Bionor Pharma has strengthened the management team in 2013, and will work to increase awareness of the Company in core international markets. The three ongoing clinical trials with the Company`s HIV vaccines have the highest operational priority going forward, and the studies will be closely monitored to achieve the objectives within the current timelines.

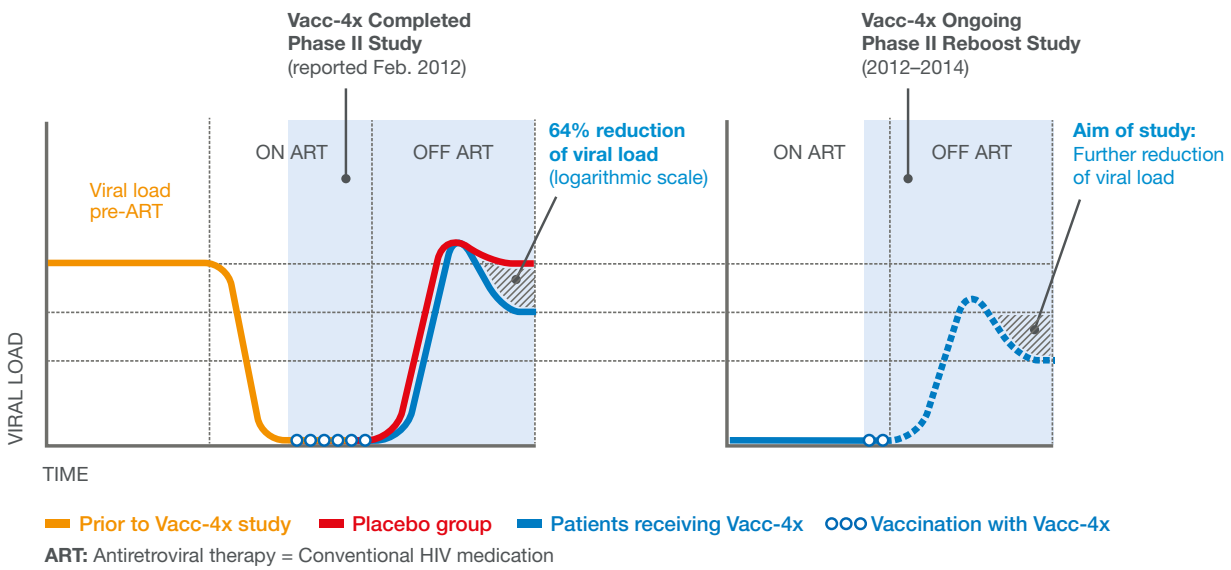
Ongoing Clinical Studies

1. Clinical phase II study: Vacc-4x combined with Revlimid (Lenalidomide)

An amendment to the protocol was approved by German regulatory authorities in early February 2013. This is expected to lead to completion of patient enrollment for the dose escalating study (part A) in H1 2013. The maximum tolerated dose of Lenalidomide will then be determined, and screening of patients for part B will start thereafter. Data is expected H1 2014.

2. Clinical phase II study: Vacc-4x, Reboost

The first patients are enrolled, and the last patient is expected to be enrolled in Q2 2013. This means that all patients will have completed their study period around year-end 2013, and the first data will be analyzed immediately thereafter. Final study report is expected in H1 2014.



Ongoing phase II Vacc-4x Reboost: The aim of the study is to demonstrate stepwise viral load reduction as a result of vaccination while on ART, following periods without ART.

3. Clinical phase I/II study: Vacc-C5, "First Time in Man"

The last patient is expected to be enrolled during H1 2013, and we expect that all patients will have completed their study period by H2 2013. First results (interim data) may become available during H2 2013. Final report is expected in H1 2014.

Other Vaccine Studies

Vacc-4x nasal administration phase I/II study

The data from the placebo-controlled nasal administration study are being further evaluated at Oslo University Hospital (OUS), with the aim to submit a scientific manuscript for publication by mid 2013.

Preclinical development Vacc-HIV

Preparations for preclinical development of Vacc-HIV, the combination of the two HIV vaccines Vacc-4x and Vacc-C5, will continue.

Preclinical development Vacc-Flu

Preclinical testing of candidate peptides will continue throughout 2013 in order to establish both the immunization regimen, adjuvant selection (supporting agent) and universality of the vaccine.

Intellectual Property Rights

The patents which were filed 6 June 2012 will be filed as international applications by 6 June 2013. The overall aim of Bionor Pharma's IPR strategy is to provide the best possible protection for the Company's peptide based vaccine technology, including the specific products Vacc-4x, Vacc-C5, Vacc-HIV (Vacc-4x + Vacc-C5), Vacc-Flu, Vacc-HCV, Vacc-CMV and Vacc-HPV. Bionor Pharma has already obtained granted patents in the major markets for its most advanced clinical development candidate, Vacc-4x.

Nutraceutical products

Discussions with potential distributors in new territories continue. Divesting the nutraceutical business will be considered.

New leadership

Anker Lundemose (51) was announced as the new CEO of Bionor Pharma as of 1 March 2013. Dr. Lundemose has a comprehensive international experience and network, and has been responsible for successful mergers and acquisitions within biotech, venture investments and licensing. His background includes biotech startups, large biotech and big pharma. Dr. Lundemose is MD, PhD and DMSc in Medical Microbiology and has extensive experience from business and corporate development as well as R&D in several key therapeutic areas. He has been co-founder of several biotech companies, significantly increased company valuation from startup to exit, and raised more than US$150 million in private equity.

Synne H Røine (33) was announced 1 March 2013 as the new Chief Financial Officer of Bionor Pharma, and will start 1 June 2013 at the latest. Ms. Røine has since July 2009 held the position as Chief Financial Officer of the listed, Norwegian company Pronova BioPharma ASA. Synne H Røine holds a Master's degree in business administration from Université des Sciences Sociales, Toulouse, France.

Financial

Total operating expenses are estimated to be MNOK 70–80 for the full year 2013. The Company has secured funding for planned scientific and business related activities until mid-2014.

Anker Lundemose joined the Company as president and CEO on 1 March 2013. Dr. Lundemose, MD, PhD, DMSc in Medical Microbiology, has extensive experience from business and corporate development as well as R&D in several key therapeutic areas including oncology and anti-infectives.

Report from the Board of Directors

Bionor Pharma is a biotechnology company, based in Oslo, Norway and listed on the Oslo Stock Exchange (OSE:BIONOR). The Company is developing peptide based vaccines against viral diseases, primarily in the HIV area.

HIV vaccines

The Company has two HIV vaccine candidates in clinical trials: Vacc-4x, which targets HIV infected cells, and Vacc-C5 which aims to induce antibodies against HIV in order to reduce the hyperactivation of the immune system caused by HIV infection.

Vacc-4x

BACKGROUND This vaccine aims to reduce viral load by guiding immune cells to seek out and kill virus producing cells. By using peptides selected from conserved domains of the virus (from the protein p24), the vaccine educates the immune system to recognize these vulnerable parts of HIV. No adverse side effects or interactions with other medication have occurred to date. Harvard researchers have recently validated this approach by demonstrating that an HIV vaccine should target specific unchanging parts of the viral p24 protein (Dahirel et al., PNAS 2011). Vacc-4x targets exactly these parts.

CLINICAL RESULTS Vacc-4x has been investigated as a therapeutic vaccine in a large phase II randomized, multinational (in the US and 4 European countries), double-blind, placebo-controlled study. This study showed a statistically significant reduction in viral load in the Vacc-4x group compared to placebo.

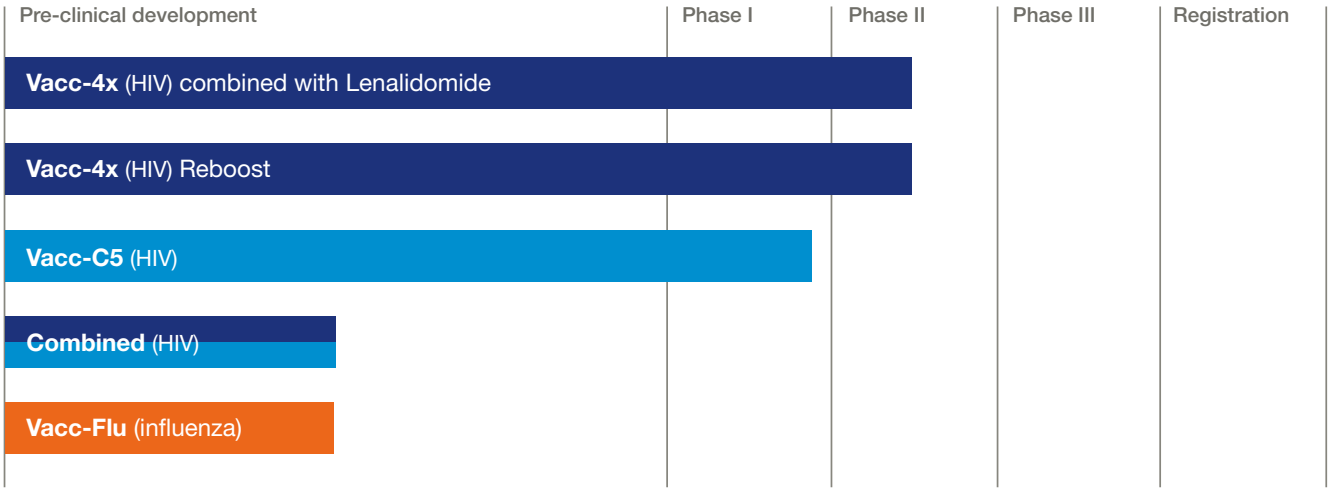
A nasal phase I/II study with Vacc-4x was conducted at Oslo University Hospital in 2012. The aim of the study was to investigate whether vaccination with Vacc-4x by means of droplets in the nose was safe and whether vaccine-related immune responses occurred. The objective for testing this delivery option for Vacc-4x is to offer an easier route of administration for HIV patients globally. The first results demonstrated safety, and showed immune responses. Further analysis is ongoing, to better understand the potential of this administration route for Vacc-4x and Bionor Pharma's other vaccine candidates.

ONGOING CLINICAL STUDIES 1. Phase II study with Vacc-4x in combination with Celgene's immune modulator Revlimid (Lenalidomide). The patients selected for this study have failed to regain a normal immune function despite having a well-controlled viral load while on conventional HIV medication (antiretroviral therapy, ART). The study was approved by German health authorities in Q3 2012, and researchers at four German clinics will investigate whether Revlimid enhances the effect of Vacc-4x in this placebo-controlled study.

2. Phase II Reboost study with Vacc-4x in patients from the previous phase II study. The aim of this study is to investigate whether reboost with Vacc-4x can result in a further reduction in viral load. The study was approved by regulatory authorities in all countries during Q4 2012, and around 30-40 patients from the previous phase II study with Vacc-4x will take part at 10 clinics.

Vacc-C5

BACKGROUND This vaccine has been designed to induce antibodies against HIV, which could reduce the damaging hyperactivation of the immune system which potentially leads to AIDS. Vacc-C5 induces antibodies to the highly conserved C5 region on the viral surface glycoprotein gp120. These antibodies aim to block the immune hyperactivation induced by this region on the virus.



***Pipeline**: Bionor Pharma's current pipeline, with five vaccine candidates/combination treatments in development*

PRECLINICAL RESULTS Immunogenicity as a result of vaccination with Vacc-C5 has so far been demonstrated in preclinical studies.

ONGOING CLINICAL STUDY A clinical phase I/II study with Vacc-C5 was approved Q2 2012, and started at Oslo University Hospital Q4 2012. The aim is to investigate safety and whether Vacc-C5 can induce formation of antibodies against HIV in humans.

Vacc-HIV (Vacc-4x + Vacc-C5)

BACKGROUND Bionor Pharma is exploring the possibility of combining Vacc-4x and Vacc-C5 into one vaccine, Vacc-HIV. The Vacc-4x and Vacc-C5 components would act synergistically. Vacc-C5 would serve to prevent the immune activation that drives disease progression, and Vacc-4x would remove virus-producing cells.

PRECLINICAL DEVELOPMENT Vacc-HIV is in the preclinical phase of development.

Vaccines for other viral diseases

Vacc-Flu

BACKGROUND Developing a "universal" influenza vaccine is challenging because influenza viruses undergo constant genetic mutation. However, unlike currently available vaccines, Vacc-Flu targets the conserved regions common to all known Influenza A viruses. The vaccine is therefore designed to provide long-term protection over several years, reducing deaths and related illnesses caused by all current Influenza A subtypes, as well as protecting against future influenza viruses that may emerge and which could lead to an influenza pandemic.

PRECLINICAL STUDY Preclinical studies with Vacc-Flu are ongoing.

Vacc-HCV, Vacc-CMV, Vacc-HPV

The Company's innovative technology platform is also well suited to develop vaccines for other viral diseases, including, HCV (Hepatitis C), CMV (Cytomegalovirus) and HPV (Human papillomavirus).

Vacc-HCV is a candidate vaccine that may be effective both as a therapy and for prevention of chronic liver infection. Hepatitis C (HCV) infection can lead to liver failure and liver cancer.

Vacc-CMV is being considered as a vaccine for treating cytomegalovirus (CMV) infection, which has been associated with inflammatory diseases as well as aggravating various cancer types such as brain tumors and prostate cancer.

Vacc-HPV is being considered as a vaccine for treating throat, anal and cervical cancer caused by Human papillomavirus (HPV).

Nutraceuticals

The Company has a portfolio of soy based nutrition products for weight management and heart health. Following the sale of the trademark Nutrilett® to Norwegian Orkla in 2011, the Company continues to look for commercial opportunities for the remaining part of the nutraceuticals business.

Highlights in 2012

Bionor Pharma – Group

The Bionor Pharma group consists of the parent company and the wholly owned companies Bionor Immuno AS and Nutri Pharma AS.

Change in Board of Directors

Jerome B. Zeldis, CEO Celgene Global Health and CMO (Chief Medical Officer) of Celgene Corp., and Benedicte Fossum were appointed new members of the Board at the annual general meeting. The Board members following the annual general meeting 2012 were: Lars H Høie (chairman), Benedicte Fossum, Bjørn Fuglaas, Marianne Furru and Jerome B. Zeldis. The interim CEO, Steen Krøyer, was appointed new deputy chairman as soon as the new CEO took office.

Patents

In December 2011 and January 2012 Bionor Pharma submitted final documentation for the filing of international PCT applications related to both the cell-mediated and the humoral technology platforms respectively.

6 June 2012 a US provisional patent application was submitted for Vacc-HIV (a combination of Vacc-4x and Vacc-C5), a therapeutic HIV vaccine.

6 June 2012 a US provisional patent application was submitted covering vaccines for influenza (Vacc-Flu), hepatitis C (Vacc-HCV), cytomegalovirus (Vacc-CMV) and human papillomavirus (Vacc-HPV).

Going concern assumption

In accordance with the Accounting Act § 3-3a we confirm that the Financial Statements have been prepared under the assumption of going concern. This assumption is based on the expected development for the different business areas in 2013 and the Company's long-term strategic plans. To support the Company's strategic plans, the Company completed a MNOK 57.6 private placement in June 2012. The Company has secured funding for planned scientific and business related activities until mid-2014.

Income statement

Bionor Immuno AS and Nutri Pharma AS are consolidated into the group accounts for the whole year since 2011.
The Bionor Pharma Group's consolidated result before tax for 2012 was MNOK -66.8 (2011: MNOK 49.0), and the EBIT in 2012 was MNOK -69.7 (2011: MNOK 46.1).

Total revenues and gains in 2012 were MNOK 4.2 compared to MNOK 109.5 in 2011. The reason for this vast decrease in revenues and gains was the sale of the Nutrilett trade mark with a profit of MNOK 106.8 in 2011. The royalty revenues were MNOK 0.1 in both 2011 and 2012. Revenues from sale of soybased products was MNOK 2.6 in 2012 compared to MNOK 2.2 in 2011.

Total operating expenses, less depreciation and cost of goods increased from MNOK 50.5 in 2011 to 60.6 in 2012. Of the total operating costs MNOK 26.8 was associated with R&D-activities and patents.

Depreciation is mainly associated with excess values from the acquisition of Bionor Immuno. These amounted to MNOK 11.5 in 2012.

Net financial income in 2012 was MNOK 2.9. The financial costs were mainly associated with interest on long-term loans (nominal value MNOK 3.0). Net payable finance income in 2012 was MNOK 4.4.

Cash flow and liquidity

In 2012 the consolidated cash flow from operational activities was negative with MNOK -52.6. The negative cash flow was mainly related to costs of running the R&D organization and performing preclinical and clinical studies. The loss before tax was MNOK -66.8. The difference between loss and reduction in cash flow is mainly related to depreciation.

Cash from investing actitivities was negative with MNOK -30.3 primarily due to the payment MNOK 27.5 of VAT related to sale of Nutrilett trademark in 2011 and investments in new office premises in Oslo of MNOK 2.8.

Cash from financing activities was MNOK 47.6 due to the capital raise in June 2012 with net proceeds of MNOK 54.6 reduced by payments of interest and installments on long term debts.

Balance

Total assets per 31 December 2012 were MNOK 208.5 compared to MNOK 253.4 at year end 2011. Intangible assets related to the leading vaccine product Vacc-4x and the technology platform together represents MNOK 80.2. The non-current assets also includes goodwill of MNOK 8.7 from the aquisition of Bionor Immuno.

The groups long term debt was reduced from MNOK 2.9 in 2011 to MNOK 0 by the end of 2012. Installments of MNOK 6.7 were paid in 2012. Remaining loan (MNOK 2.8) will be paid in mid

2013 and is classified as other short term debt.
The short term debt of MNOK 15.6 consists of a first year installment on long term debt, accrued costs related to the phase II study, and accrued salary and public duties payable.

Cash decreased during the year from MNOK 144.1 at year end 2011 to MNOK 108.9 at year end 2012.

The total equity decreased from MNOK 203.3 by year end 2011 to MNOK 192.9 by year end 2012, The total equity is approximately 93% of total assets.

The parent company Bionor Pharma ASA had a loss before tax of MNOK -6.3 in 2012.

The Board of Directors proposes that this years profit is brought forward to Retained Earnings.

Operational and financial risks

Clinical risks

– Potential delay in the clinical development programs.
– As with all clinical studies the outcome may not be what is anticipated
– We currently do not manufacture our vaccine products and may not be able to obtain adequate supplies necessary to conduct clinical trials or for products in the future. This could cause delays, subject us to product shortages, or reduce future product sales. If a third parties' manufacturing facility is damaged, rendered inoperable or does not comply with regulatory requirements, we may not be able to obtain an adequate supply of future vaccine products.

Regulatory risks

– We may be unable to obtain regulatory clearance and/or approval for our clinical trial designs and ultimately our product candidates in key markets or any markets.
– Safety issues with our vaccine products may be encountered.

Commercial risks

– Partnering agreements may not be achieved due to lack of conclusive data from clinical trials and/or supportive non-clinical documentation, or commercial terms may not be attractive to the Company.
– Additional clinical trials and entry into a potential arrangement regarding the combination of Vacc-4x and Celgene's immune modulatory medicine is subject to an expansion of the current research agreement with Celgene. The Company may not be able to execute such an agreement on commercially attractive terms and/or because of lack of supportive clinical data.
– Our ability to enter into and maintain third-party relationships is important to successful development and commercialization of our vaccine products and to our potential future profitability. We may not be able to enter into such relationships at terms attractive to the Company.
– Competition in the biotechnology and pharmaceutical industries may result in competing products, superior development and/or marketing of other products which may hamper our ability to commercialize our products and/or partner our current programs with third parties.
– Our success will depend to a significant degree on our ability to protect our patents and other intellectual property rights. We may not be able to obtain effective patents to protect our technologies from use by competitors, and patents of other companies could require us to stop using or to pay for the use of required technology.
– Our success depends in large part on our ability to operate without infringing upon the patents or other proprietary rights of third parties.
– If we are unable to obtain new patents based on current patent applications or for future inventions, we may not be able to prevent others from using our intellectual property. If we are unable to obtain licenses to third party patent rights for required technologies, we could be adversely affected.
– Litigation regarding patents and other proprietary rights may be expensive, cause delays in bringing products to market and harm our ability to operate.
– We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

Financial risks

– The Company has cash on hand to complete current clinical trials within suggested timelines, considerable delays or overruns might however create an additional need for funding.
– Due to our reliance on contract research organizations and other third parties to conduct our clinical trials, we are unable to directly control the timing, expenses and quality of our clinical trials.
– Our financial results will fluctuate, and these fluctuations may cause our share price to fall.

General risks

– If we fail to attract and retain highly qualified personnel, we may be unable to successfully develop new vaccine products, conduct our clinical trials and commercialize our vaccine products.
– General economic and business conditions.
– Policies and actions of governmental and regulatory authorities.
– Changes in domestic and foreign laws and regulations.
– Our results of operations may be impacted by current and

potential future healthcare reforms.
– Our executive officers, directors and major shareholders control approximately 38% of our common shares. Substantial future sales of our common shares by these shareholders could cause the trading price of our common shares to fall.
– Any disruption from natural or man-made disasters may harm our business.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report.

Liquidity risk

The Group's policy is to always have sufficient cash available enabling the Group to fulfill its liabilities at all times. The Group has all its cash in banks. The purpose of this is to finance the future activities of the Group.

Credit risk

The objective of liquidity management is to keep a reasonable balance between risk, yield and flexibilty. Therefore the cash is dispersed between several banks with different agreements with interest terms varying from zero up to 6 months.

Per year end 2012 the following cash was deposited with a fixed interest rate: MNOK 20.7 on a 6-months contract due 04.02.2013. The cost to realize this contract would have been MNOK 0.6 per year end 2012.

The Group has various other financial asssets and liabilities, such as trade receivables and trade payables, which directly relate to the operations.

The Group's credit risk associated to sales of weight loss and health products is very limited. 50% of the sale to Nikken is pre-paid, and a main principle with any new distribution agreements will be full pre-payment before product delivery.

Market risk

Changes in macro variables, exchange rates, raw materials, interest rates etc have limited effect on the results and assets in Bionor Pharma. The revenues from sales of health- and weight reduction products is exposed to changes in exchange rates between NOK and EUR, and these changes may to some degree impact on future results and balance. Several consultancy and outsourcing agreements are in USD, CHF, GBP or EUR, and several of these have a duration of up to 12-24 months.

The parent company had by year end 2012 approximately EUR 73,300 on a EUR account. This resulted in a total unrealized exchange loss of MNOK 0.2 in 2012. The company does not use any financial instruments for hedging exchange rate risk.

Bionor Pharma is also exposed to variation in interest. Of the MNOK 108.9 in bank deposits per year end 2012, MNOK 88.2 was exposed to variable interest rate, while the remaining MNOK 20.7 was placed in a deposit with fixed rate at 3.30% p.a. with interest terms of 6 months. Some of the trade liabilities were in foreign currency, but the average oustanding are limited per year end.

Corporate governance

Bionor Pharma is run by principles to ensure transparency, integrity and equality for shareholders.The corporate governance guidelines are prepared by the Board of Directors, and presented in a separate section in the annual report. The Board has established guidelines for remuneration for senior management. These guidelines are summarized in Note 6 and will be presented at the Annual General Meeting.

Working environment, diversity and external environment

At the end of 2012 Bionor Pharma had 20 employees. The work environment is considered to be good. Bionor Pharma recorded 148 days of sick leave, which is equal to 4% work hours for the year, down from 6.8% in 2011. The decreased absence was related to reduced long term absence. There were no accidents or injuries during the year. No special measures have been implemented to improve the working environment. The Company's activities do not pollute or impact the external environment negatively beyond what is considered normal for this type of company. 11 out of the 20 Bionor Pharma employees as of 31 December 2012 were women. The Board of Directors are committed to ensuring equal opportunities and diversity, and endeavor to achieve a balanced gender split through their personnel policies in terms of salary, promotion and recruitment. However, the main objective is to have the best qualified individual in all positions. As of 31 December 2012 there were two women (40%) on the Board of Directors.

Intellectual property rights

Vaccines

Bionor Pharma submitted international patent applications for its cell-mediated technology platform in December 2011 and for

the humoral technology platform in January 2012. These patent applications are directed at protecting the technology and the know-how regarding modification of synthetic sequences with the aim to obtain the best possible presentation to immune cells. It is the view of the Company that the protection given by the platform patent applications provides a solid basis for the development of an extensive product portfolio.

The aforementioned technology platform patents are complementary to product patents that already exist for Vacc-4x and Vacc-C5.

Bionor Pharma has performed analyses of "Freedom to operate" twice for Vacc-4x, and no potential relevant third party patent rights have been identified. An updated and extended analysis has been initiated to ensure continued 'Freedom to operate'.

Nutraceuticals

Bionor Pharma has, through 20 years of research and 28 clinical and pre-clinical studies, developed products and process technologies for soy based weight-loss products and functional food. The commercial development of this business has been based on strong clinical and safety documentation, in addition to the know-how that has been developed through several years. There were no R&D activities within this business area in 2012.

Recent events

During the first 3 months the Company has made changes in the management. Anker Lundemose has acted as new CEO from 1 March 2013. Synne H Røine has been employed as a new CFO and will commence her position prior to 1 June 2013.

Future prospects

The Board of Directors wants to emphasise that there is considerable uncertainty associated with giving statements on future prospects and challenges.

The Group had at the beginning of 2013 cash deposits of approx. MNOK 108.9. It is anticipated that current cash should finance the company until mid 2014.

Vaccines

Strategic repositioning of Vacc-4x will require the Company to position the product as an essential component in a combination-therapy for the management of HIV infection.

Development and approval of new drugs is a lengthy process with considerable risks. The Company will seek to find partners who will jointly fund future explorative studies for both Vacc-4x and Vacc-C5. The Board expects the costs of further development activities will be slightly higher than in 2012.

The Board emphasizes that investments in drug development in general and specifically HIV vaccines is a considerable risk and requires long term involvement and a high degree of professionalism. It is therefore not an insignificant risk that Bionor Pharma will not succeed in bringing forward a vaccine to commercialization.

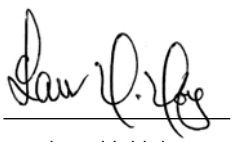
Nutraceuticals

After the divestment of the Nutrilett trademark in 2011, royalty income has been materially reduced. Discussions with potential distributors in new territories have continued, and divesting the nutraceutical business will be considered.

Share capital and dividend

The Company will, in the next few years, prioritize development and commercialization of vaccine products. This means that dividends cannot be expected, and that the return to shareholders in this period will be increase in share value. The Company's distributable equity as of 31 December 2012 was MNOK 99.2.

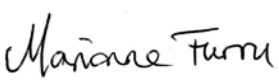
Oslo, 18 April 2013



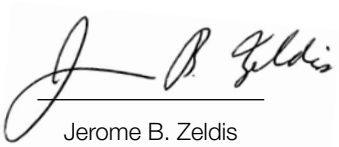
Lars H. Høie,
Chairman

Steen Krøyer,
Deputy Chairman

Benedicte Fossum



Marianne Furru



Jerome B. Zeldis

Anker Lundemose,
CEO

Board of Directors: Steen Krøyer (Deputy Chairman), Marianne Furru, Lars Høie (Chairman), Jerome Zeldis and Benedicte Fossum.

Responsibility statement from the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December 2012 have been prepared in accordance with IFRS, as adopted by the EU, and give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations. Furthermore, we confirm 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.

Oslo, 18 April 2013

Lars H. Høie, Chairman

Steen Krøyer, Deputy Chairman

Benedicte Fossum

Marianne Furru

Jerome B. Zeldis

Anker Lundemose, CEO

Share information

Financing status

Bionor Pharma's goal of creating value for its shareholders means a continuous focus on ensuring that the Company's balance sheet and its financing - including equity - is adapted to the Company's objectives, strategy and risk profile. Drug development and vaccine development in particular is demanding and high risk, and must have a long term focus. This requires financing with a similar focus.

Bionor Pharma performed a capital raise in June 2012 which increased the cash flow by MNOK 54.6. This cash flow is used and shall be used to finance further preclinical and clinical studies of the Company's vaccines.

As of 31 December 2012, as a result of these financing actions, Bionor Pharma had cash holdings of MNOK 108.9. With the current burn-rate, these cash holdings are assumed sufficient to finance the Company's development activities into the second half of 2014.

Share capital and dividends

The share capital of Bionor Pharma ASA amounts to NOK 49,631,587, consisting of 198,526,348 shares with a nominal value of NOK 0.25 each. All shares have equal status.

The Company favours a dividend policy based on positive financial performance. However, as a development company with a long term focus, the Company will during the next few years use cash available to finance the necessary preclinical and clinical studies. Therefore the shareholders' return must be expected to materialize on the basis of a future increase in share price and not dividend.

The Company has 5,100,000 outstanding share options issued to the management as part of an incentive system (strike price NOK 2.00 / NOK 1.90 per share). In addition 6,353,333 warrants have been issued (exercise price NOK 10.00). Furthermore 7,733,333 warrants have been issued (exercise price NOK 5.00 per share) in Bionor Immuno AS of which Bionor Pharma ASA owns 6,353,333 and others own 1,380,000 warrants.

Listing on the Oslo Stock Exchange

Bionor Pharma ASA is a public limited company under Norwegian law. Incorporated in January 1993, it was listed on the Oslo Stock Exchange in May 2000 under the name Nutri Pharma ASA. In June 2010 Nutri Pharma ASA changed name to Bionor Pharma ASA and is traded under the ticker code BIONOR.

Bionor Pharma's information policy aims to provide regular contact with the financial community. Emphasis is placed on keeping shareholders and the capital markets continuously informed about events and decisions which affect the value of the Company. Bionor Pharma intends to achieve this by presenting results, publishing quarterly and annual reports and communications to analysts and financial media, in addition to public disclosure of significant events. Information is also communicated through the Company's website www.bionorpharma.com.

Share price development between end of December 2011 and middle of April 2013 (Ref: Oslo Stock Exchange).

Share price movements and liquidity

At the end of 2011 the share price closed at NOK 1.48 whilst the closing price 31.12.2012 was NOK 2.58. The market capitalization of the Company at year-end was approx. MNOK 512, which is an increase of 74% from last year-end. The graph (opposite page) shows the development from April 2012 to April 2013.

The Company's shares have been traded every day on the Oslo Stock Exchange with an average traded value per trading day of approximately MNOK 4.9. The liquidity in the shares is good and the turnover of shares in % is among the higher of the shares registered on the Oslo Stock Exchange.

Shareholders

Per 31 December 2012 Bionor Pharma ASA had 3,291 share holders, of which 3,175 were Norwegian. See note 17 for the 20 largest shareholders at the end of 2012.

Overview of the Company's 20 largest shareholders at 10.04.2013

	Number of shares	Percentage
Skandinaviska Enskilda Banken (SEB) c/o Lars H. Høie	60 000 000	30.22%
Delphi Norge	4 625 000	2.33%
Kalda AS	4 325 078	2.19%
Syvertsen Trond	4 000 000	2.01%
BNYBE – Arctic Funds	3 592 518	1.81%
Franoco AS	3 320 000	1.67%
KLP Aksje Norge VPF	3 000 000	1.51%
MP Pensjon PK	2 842 135	1.43%
Dukat AS	2 625 000	1.32%
Spencer Invest AS	2 500 000	1.26%
Verdipapirfondet Del JPMorgan Europe LTD.	2 011 717	1.01%
Kommunal Landspensjon	2 000 000	1.01%
Oust Holding AS c/o Trond Syvertsen	2,000,000	1.01%
Powerfluid AS	2,000,000	1.01%
Spencer Trading INC	1 875 000	0.94%
Verdipapirfondet DNB	1 591 978	0.80%
Vuonislahti Invest AS	1 300 000	0.65%
Tvenge Bente Mowinck	1 161 400	0.59%
KLP Aksje Norge Index	1 138 974	0.57%
Alden AS	1 100 000	0.55%
Total	107 058 800	53.91%
Others	91 467 548	46.09%
Total number of shares	**198 526 348**	**100.00%**

The Board's report on Corporate Governance

Bionor Pharma's principles of corporate governance is in compliance with laws and regulations and is based on Section 3-3b of Norway's Accounting Act and the recommendations of the Norwegian Code of Practice for Corporate Governance ("the Code of Practice" or "the Code") issued on 21 October 2010 with amendments dated 23 October 2012, available at www.nues.no

The individual items from the Code of Practice recommendations are reviewed below. There is a high degree of conformity between the recommendations and Bionor Pharma's principles. Bionor Pharma's principles are evaluated annually or more frequently if deemed necessary. Deviations from Code recommendations are discussed under the item in question; each such deviation is explained and a description provided of the alternative applied by the Company.

1. Statement of Corporate Governance

Bionor Pharma prescribes to promote high ethical standards in its dealing with its stakeholders and society at large. The Company supports the fundamental principles of good corporate governance. These include inter alia ensuring equal treatment of all shareholders, independence and competence of the Company's governing bodies, functioning management principles, procedures and risk management, ensuring that all accounts are audited by independent and qualified auditors and that the flow of information from the Company provides a current and accurate picture of the status.

Bionor Pharma has set high standards of conduct for the Board, management, employees, consultants and collaborating partners. The Board acknowledges the significant responsibility of the Group in relation to its surroundings when it comes to health, safety and security. HIV is a serious disease, and the responsibility to patients participating in our clinical studies is particularly important to ensure.

2. Operations

The business objective for Bionor Pharma ASA are stated in the Company's articles of association, as follows:

"The objectives of the Company are to perform research and development, patenting, and commercialization of products in the pharmaceuticals and biotech industry, and business related thereto. The Company may further participate in other companies through ownership interest".

The Company establishes and maintains clear goals and strategies for its business. The Company's main goal is to develop therapeutic and profylactic vaccine candidates for unmet medical needs and to commercialize these by entering into agreements with partners for the remaining development processes. This goal is pursued through gaining sufficient clinical documentation to demonstrate that the vaccines are safe and effective and that they have sufficient relevance as a treatment for the selected indications.

3. Company capital and dividends

EQUITY The Company is not specifically focused on book equity ratio, but has its main focus on available cash and the ability to fund future development activities. Bionor Pharma regards this capital structure as appropriate and adapted to its business and risk profile.

DIVIDENDS In principle the Company prefers a dividend policy that is closely related to the financial results. However, considering the present development phase of the Company, shareholders' returns will currently have to come as a result of increased share price, not dividends. Dividend will not under any circumstance be paid before one of the Group's vaccine candidates achieves greater milestone payments from a collaborating partner or has reached the commercial stage.

BOARD AUTHORIZATIONS The following authorizations to the Board to increase the share capital are valid until 30.June 2013:

• General authority to increase the share capital by up to 18,000,000 shares. A private placement was closed on 14 June 2012 issuing 18,000,000 new shares.

• Authorization to increase share capital by up to 10,000,000 shares for use in the Company's option-based incentive program. Per year end 2012 a total of 5,100,000 options were granted. See note 6 of the annual accounts.

The Company has no authority to purchase its own shares.

4. Equal treatment of shareholders and related party transactions

Bionor Pharma has a single class of shares and each share entitles the holder to one vote.

By the Board's authorisation to issue up to 18,000,000 shares, the Board has the right to deviate from existing shareholders' pre-emptive rights. This is due to the need for flexibility and the ability to rapidly carry out a share issue. However, the principle of equal treatment requires that the share issue, in accordance with the authorisation, shall be carried out at or close to market price, alternatively subsequent share issues can be carried out ("repair exercises"), which are addressed to shareholders not invited to participate in the private placement.

The Board has no authority to purchase the Company's own shares, but the Company owns a total of 1.625 shares. Any transaction in treasury shares will take place through the Oslo Stock Exchange's market place at market value.

In case of non immaterial transactions between the Company and its shareholders, Board members, executives or related parties, the Board shall in each individual case, consider and accept the transaction. An external, independent valuation shall be obtained as a basis for the Board's resolution.

The Company has established procedures to ensure that Board members and executives report to the Board if they have any direct or indirect material interest in contracts entered into by Bionor Pharma or companies where Bionor Pharma has significant interests.

5. Freely traded shares

The shares in Bionor Pharma are freely negotiable. No restrictions are included in the Company's articles of association on transferability or with regards to voting rights.

6. General Meeting

General Meetings are held in accordance with relevant legislation, and the Company strives to comply with the latest version of the Code recommendations.

The General Meeting shall ensure the shareholders' participation in the Company's highest decision-making body. The Company encourages shareholders to participate in the General Meetings. The General Meeting elects representatives to the Board, appoints the Company's auditor and the Nomination Committee. This is why there are procedures in place to ensure that as many shareholders as possible can attend the General Meeting and to ensure that this is an effective decision-making forum.

The notice will be sent out and will be available on the Company's web site no later than 21 days before the date of the General Meeting. Meeting notifications, annual reports, and accompanying information are made available to shareholders on the Company's web site. Bionor Pharma takes care to ensure that the proposed resolution and supporting information is sufficiently detailed and comprehensive.

The deadline for shareholders to register to attend the General Meeting is set as close to the date of the meeting as possible, the latest five days prior to the meeting. The Board and the chairperson of the General Meeting shall prepare for separate votes for each individual candidate nominated for either the Board of Directors or the Nomination Committee.

Shareholders who are unable to attend may vote by proxy on each agenda item. Information on the authorisation scheme is provided in the notice. A person will be appointed to vote on behalf of shareholders who cannot attend the meeting in person. A form will be made available in order for the shareholders to give separate voting instructions for each item and for each of the nominated candidates.

The Chairman of the Board, CEO, CFO and the auditor are required to attend the General Meeting. The members of the Board are advised to attend to the extent this is possible. Bionor Pharma facilitates the appointment of an independant lawyer to chair the meeting.

The notice and the minutes of the General Meeting are made available as soon as practical on Bionor Pharma's web site and will be sent to shareholders via the information system at the Oslo Stock Exchange.

7. Nomination Committee

The Company has a Nomination Committee, as set forth in the Company's articles of association. The Nomination Committee

tasks are to give recommendations to the General Meeting regarding candidates for the Board of Directors and the Chairman position, candidates for the Nomination Committee and remuneration. The recommendations should provide a justification of how it takes into account the interests of shareholders in general and the Company's requirements, and should in addition include information about each candidate's competence, background and independence in relation to Board membership. The Committee aims to make the recommendation available on the Company's web site no later than 21 days before the date of the General Meeting.

The Committee consists of three members. The members are elected at the General Meeting for a two year term and the chairman is elected for one year. The Committee currently consists of:
- Ivar Sigurd Eide (Chairman)
- Lars Helmer Enger
- Birger Sørensen

The Company has drawn up instructions for the Nomination Committee, that were approved at the ordinary General Meeting in 2012. The instructions for the Nomination Committee are available on the Company's web site.

8. Board composition and independence

Bionor Pharma is focused on ensuring that the Board can operate independently of any special interests, attend the common interests of all shareholders and satisfy the Group's need for expertise, capacity and diversity. The Board is independent from the Company's executive personnel. The Chairman of the Board is elected at the General Meeting. The term of office for the Board should not be longer than maximum two years.

The present Board consists of five members. The current Board members are selected on the basis of their specific expertise in the pharmaceutical industry and/or finance area. The members are:
- Lars H. Høie, chairman; medical doctor, Dr. Philos., co-founder of Nutri Pharma and has extensive experience from research and product development. He is Bionor Pharma's largest shareholder with approx. 30% of the shares.
- Steen Krøyer, deputy chairman; CEO at Bionor Pharma from 09/2011 to 02/2013 and has 35 years of experience in the pharmaceutical industry. Krøyer became member of the Board from 1 March 2013.
- Benedicte Fossum; B.Sc. Veterinary Medicine, one of the founders of Pharmaq AS. Experience as Board member in Navamedic ASA, Codfarmers ASA, ProBio ASA, Probi AB, Smartfish AS, Foinco AS and Altaria AS. Ms Fossum is considered an independent director in relation to the Code section 8.
- Marianne Furru; M.Sc., has many years of experience from pharmaceutical manufacturing. She currently works as a recruitment consultant. Marianne Furru has been a member of the Board of Biotekforum for 2 years. Ms. Furru is considered an independent director in relation to the Code section 8.
- Jerome B. Zeldis; CEO of Celgene Global Health and Chief Medical Officer of Celgene Corporation. Dr. Zeldis is an experienced global industry leader with a distinguished career at one of the world's leading biopharmaceutical companies.

Please visit www.bionorpharma.com for further information about the members of the Board.

Two of the members are considered to be independent of the Company, management, major shareholders and key business contacts. The Board members are encouraged to buy shares in the Company. Four of the directors currently own shares in the Company.

Between the General Meeting in May 2012 and year-end, six Board meetings were held with an attendance of 100%.

The Company does not have a corporate assembly.

9. Work of the Board of Directors

The Board of Directors work is described and regulated in the Company's Instructions for the Board of Directors. The Board is responsible for ensuring that the business is organized in a proper manner and to follow up the management and the Company's strategic and financial development, to ensure the shareholders' long-term interests.

The Board's duties are inter alia:
- To set and review the strategic focus and operation of the Company.
- To make sure that plans and budgets for the Company's business are prepared.
- Evaluation, approval and monitoring of the fundamental business and strategic key objectives.
- Approve major contracts and transactions.
- Appointing and evaluating the performance and remuneration of the CEO.
- Evaluation of the Company's internal and external control and risk management procedures.
- Regular evaluation of the Auditor.

The Board shall consist of three to eight members and will normally hold meetings six to eight times a year. The Board has adopted internal instructions for its work.

The Chairman of the Board's principle duty is to ensure that the Board's work is carried out in a correct and efficient manner and in accordance with the Board's responsibilities. The Chairman chairs the meeting of the Board. In an event where the Chairman has special interests in certain issues on the agenda the discussion will be led by another member of the Board.
A plan for the Board's work will be prepared annually, and the Board aims to conduct a self evaluation of its performance and expertise annually.
The Board has chosen not to have a separate Audit Committee. The Board believes it fully covers the tasks of an Audit Committee. There is no separate Remuneration Committee in Bionor Pharma. The Board believes it fully covers the tasks of a Remuneration Committee.

10. Risk management and internal control

The Board shall ensure that the Company has sound internal control and systems for risk management. The main principles of this control are embodied in the Company's Instructions for the Board of Directors and the CEO. The Company's other governing documents have been adopted by the Board, to clarify responsibilities of and division of roles between the Board and the Company's administration.

As a Company with extensive projects for clinical trials of vaccines for HIV patients, it is especially important to focus on ethical responsibility. Responsibility for patient safety is a fundamental part of the study protocols.

The Company performs the current accounting according to IFRS standard. External quality assurance of the financial statements is normally performed. Closing of accounts is carried out on a quarterly basis. The board is updated on the status of the Company on monthly basis. The Company's liquidity position is monitored regularly. Signing authorities is delegated by position and expenses exceeding NOK 1.0 million shall be presented for Board approval. The Company is in the process of establishing a quality management system.

The Board reviews the Company's risks and internal controls on an annual basis. Key risk areas are described in the annual report.

11. Board remuneration

The Board remuneration is determined at the General Meeting based on a recommendation from the Nomination Committee. The remuneration is intended to reflect the Board's responsibility, expertise, time commitment and complexity of the vaccine sector. The remuneration is considered to be consistent with the level for comparable companies.

The proposed allowance for 2012 is: the Chairman NOK 400,000, the Deputy Chairman NOK 210,000 and NOK 175,000 for other directors. The remuneration is a fixed amount and does not include any performance-related elements.
If Board members or companies with which they are associated are performing other assignments for the Company in addition to their position on the Board, this should be disclosed to the full Board and the remuneration for such additional duties must be approved by the Board. Any remuneration in addition to normal Board members' fees must be specifically identified in the Company's annual report. The Board members should normally not receive share options. However, in certain extraordinary instances the Board members could have share options. Steen Krøyer had 500,000 options as CEO and was allowed to keep these when joining the Board.

12. Remuneration of executive personnel

The Company's executive personnel receive remuneration and bonuses that are considered consistent with normal levels for this type of expertise and experience. The remuneration consists of fixed salary and bonus maximized to 25% of their annual salary. In addition, the Company established a long-term share option program for its executive personnel with the following main elements:
The right to purchase a total of 10,000,000 shares. As of 31 December 2012 there were signed agreements for a total of 5.1 million of these share options divided among five executives. In addition, CEO Anker Lundemose and CFO Synne H Røine were each given 1 million share options in March 2013, and a stock option programme for employees was given 1.52 Million share options in March 2013. The total number of outstanding share options in Bionor Pharma is thus per 18 April 2013 8.62 million.

The terms for the options include:
- Option price of NOK 2.00 per share for four of the executives and NOK 1.90 for the former CEO.
- The right to exercise the options from 1 June 2011 to 1 June 2014.
- The options issued to new CEO Anker Lundemose are exercisable at a price of NOK 2.75 per share. The options vest by 10% on 29 January 2014, 15% on 29 January 2015 and remaining 75% on 29 January 2016.
- The options issued to CFO Synne H. Røine are exercisable at a price of NOK 2.28 per share. The options vest by 1/3 on 1 June 2014, 1/3 on 1 June 2015 and remaining 1/3 on 1 June 2016.
- The stock option programme for employees dated March 2013. The program includes 1,520,000 options and has a three year vesting period. The options are exercisable at a price of NOK 2.48 per share, equivalent to the closing share price on 15 March

2013. The options vest by 1/3 on 1 June 2014, 1/3 on 1 June 2015 and remaining 1/3 on 1 June 2016.

The Board's guidelines for remuneration of the executive personnel will be presented to the General Meeting on the 15th of May. To adjust the guidelines in line with the industry, there will be suggested that bonus to CEO will be limited to a maximum of 40% per cent of base salary as was the case when hiring the new CEO. See note 6 for more details regards the option program for executive personnel.

13. Information and Communication

Bionor Pharma strives to keep shareholders, financial analysts and investors informed of its development by regular updates. All parties should have access to the same information at the same time.

The Company's financial calendar is published on the Company's web site and in a separate stock exchange report. All information is published on both the Company's web site at the same time as it is published in the separate stock exchange report. The Company's contact with the shareholders outside of the General Meeting will normally be handled by the Company's CEO and CFO.

14. Take-overs

The Company concentrates its attention on equal treatment of shareholders. Both the Board and management will act according to such a principle in case of a bid for the Company's shares. In a bid situation, the Company's Board of Directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. In case of a bid for the Company's shares, the Board shall ensure that shareholders are given sufficient information and time to form a view of the offer.

The Board shall in compliance with the Code's recommendation not seek to prevent take-over bids for the Company's activities or shares. The Board shall not exercise mandates or pass any resolutions with the intention of obstructing a take-over bid unless it is approved by the General Meeting following the announcement of the bid.

Any agreement with the bidder that acts to limit the Company's ability to arrange other bids for the Company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the Company and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid.

Agreements entered into between the Company and the bidder that are material to the market's evaluation of the bid should be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In a case of a bid for the Company shares, the Board will issue a statement making a recommendation as to whether shareholders should or should not accept the bid. The Board's statement on the bid shall make it clear whether the views expressed are unanimous, and if not it shall explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The Board shall arrange a valuation from an independent expert. The valuation should include an explanation to be presented no later than at the time of the public disclosure of the Board's statement.

Any transaction that is in effect a disposal of the Company's activities shall be decided at the General Meeting.

15. Auditor

The auditor shall participate at the meetings of the Board where the annual report is discussed and/or approved. In these meetings, the Board shall be informed of the financial position, control procedures, tax considerations and other considerations that the auditor finds relevant. In particular, the auditor should review any material changes in the Company's accounting principles, comment on any material estimated accounting figures and report all matters on which there has been disagreement between the auditor and the management.

The auditor will also participate at other Board meetings as required. The auditor shall have at least one meeting a year with the Board without the Company's management present. The auditor has access to relevant Board documents. The Board also requires that the auditor submits an annual review of the Company's internal control procedures and that this will be discussed with the Board without the management present. The auditor must at least once a year verify that the Company has followed the independence regulations, legal requirements and the accounting firm's own internal independence standards. The auditor shall submit the main features of the plan for the audit of the Company and also go through the Company's internal control annually. The Board is cautious of not using the auditor excessively for services other than audit services, but has not established their own guidelines in this regard.

The Board will inform the General Meeting regarding the remuneration of the auditor, including proportion of remuneration paid for audit work and remuneration paid for consultancy services.

Additional information

Remuneration to the Board and senior management
Note 6

Remuneration of the auditor
Note 6

Shares held by directors and management
Note 6

Biographies for the Board and senior management
www.bionorpharma.com

The minutes from the general meeting
www.bionorpharma.com

Financial statements

Statement of comprehensive income

January 1 – 31 December

In NOK thousands		Bionor Pharma ASA		Group	
	Note	**FY 2012**	**FY 2011**	**FY 2012**	**FY 2011**
Revenues from sale of goods and services	3	22,106	16,731	4,224	2,600
Profit from sale of Nutrilett® trademark			106,775		106,775
Royalty income	3	91	124		124
Total revenue	**3**	**22,197**	**123,630**	**4,224**	**109,499**
Cost of goods sold		1,864	1,605	1,864	1,605
Personnel costs	6	23,127	20,534	23,150	21,995
Depreciation and amortization	4, 5	176	50	11,458	11,300
Other operating expenses	7	18,252	12,341	37,431	28,542
Total operating expenses		**43,418**	**34,530**	**73,902**	**63,442**
Results from operations		**-21,221**	**89,100**	**-69,678**	**46,057**
Finance income		15,747	12,687	4,395	5,138
Finance costs		831	136	1,480	2,175
Net financial income and costs	8	14,916	12,551	2,914	2,963
Profit (loss) before tax		-6,305	101,651	-66,764	49,020
Income Tax expense	15	–	–	–	–
Profit (loss) after tax		-6,305	101,651	-66,764	49,020
Profit (loss) for the year		**-6,305**	**101,651**	**-66,764**	**49,020**
Attributable to:					
Equity holders of the parent		-6,305	101,651	-66,764	49,020
Earnings (loss) per share (NOK):	18	-0.03	0.56	-0.35	0.27

Statement of Financial Position at 31 December

In NOK thousands		Bionor Pharma ASA		Group	
	Note	**2012**	**2011**	**2012**	**2011**
ASSETS					
Non-current assets					
Intangible assets					
Goodwill	4	0	0	8,715	8,715
Research and development	4			80,221	90,997
Total intangible assets	4	0	0	88,936	99,712
Property, plant and equipment	5	2,677	286	3,288	1,403
Financial assets					
Investments in subsidiaries	9	94,560	94,560		
Other long term receivables	13	935	478	935	478
Total financial assets		95,495	95,038	935	478
Total non-current assets		**98,172**	**95,324**	**93,158**	**101,593**
Current assets					
Receivables					
Accounts receivables	10	30	34	85	76
Receivables from subsidiaries	21	161,812	100,078		
Other current receivables	11	579	3,561	6,353	7,620
Total receivables		162,421	103,673	6,438	7,696
Cash and cash equivalents	14	107,845	143,236	108,881	144,106
Total current assets	**13**	**270,267**	**246,909**	**115,319**	**151,802**
Total assets		**368,439**	**342,233**	**208,477**	**253,395**

In NOK thousands		Bionor Pharma ASA		Group	
	Note	**2012**	**2011**	**2012**	**2011**
EQUITY AND LIABILITIES					
Equity					
Paid-in equity					
Share capital	17	49,632	45,132	49,632	45,132
Share premium		205,080	154,995	157,164	107,081
Other paid-in equity		3,852	2,087	3,852	2,087
Total paid-in equity		258,564	202,217	210,648	154,300
Other Equity					
Retained earnings		95,347	101,651	-17,743	49,020
Total equity		**353,910**	**303,868**	**192,905**	**203,320**
LIABILITIES					
Non-current liabilities					
Long term Interest-bearing debt	19				2,865
Total long term liabilities					2,865
Non-current liabilities					
Accounts payables		1,262	1,021	4,807	6,803
Public duties payable		6,167	31,964	1,639	28,164
First year installments on long term debt	19			2,865	5,961
Other current liabilities		7,100	5,380	6,262	6,282
Total current liabilities		14,529	38,365	15,573	47,210
Total liabilities	**13,20**	**14,529**	**38,365**	**15,573**	**50,075**
Total equity and liabilities		**368,439**	**342,233**	**208,477**	**253,395**

Oslo, 18 April 2013

Lars H. Høie, Chairman

Steen Krøyer, Deputy Chairman

Benedicte Fossum

Marianne Furru

Jerome B. Zeldis

Anker Lundemose, CEO

Cash Flow Statement

January 1 – 31 December

In NOK thousands	Bionor Pharma ASA		Group	
	FY 2012	**FY 2011**	**FY 2012**	**FY 2011**
OPERATING ACTIVITIES				
Profit (loss) before tax	-6,305	101,651	-66,764	49,020
Depreciation and amortization	176	50	11,458	11,300
Share-based payments	2,064	1,569	2,064	1,569
Loss on sale of non-current assets	202		202	
Gain on sale of intangible assets		-106,775		-106,775
Interest expense (income)			3,383	-3,383
Interest income from subsidiaries	-11,035	-7,648		
Capitalized interest			316	592
Interest expenses			698	1,193
Change in accounts receivables	4	-15,208	-9	4,185
Change in accounts payables	241	1,728	-1,996	1,677
Change in provisions, accruals and prepaid expenses	-19,550	2,400	-1,917	-2,638
Net cash from operating activities	**-34,203**	**-22,233**	**-52,565**	**-43,259**
INVESTING ACTIVITIES				
Proceeds from sale of intangible assets		110,000		110,000
Loans made to subsidiaries	-25,500	-27,500		
Disbursement from purchase of PP&E	-2,769	-262	-2,769	-735
VAT on sales of intangible assets	-27,500	27,500	-27,500	27,500
Net cash flows (used in)/from investing activities	**-55,769**	**109,738**	**-30,269**	**136,765**
FINANCING ACTIVITIES				
Proceeds from issue of share capital	54,582		54,582	0
Interest on loans			-316	-592
Loan instalments			-6,659	-6,659
Net cash flows (used in)/from financing activities	**54,582**		**47,607**	**-7,251**
Net increase/(decrease) in cash and cash equivalents	**-35,391**	**87,505**	**-35,227**	**86,255**
Effect of exchange rate changes on cash and cash equivalents				
Cash and cash equivalents at 1 January	**143,236**	**55,731**	**144,106**	**57,851**
Cash and cash equivalents at 31 December	**107,845**	**143,236**	**108,881**	**144,106**

Consolidated statement of changes in equity in Group

In NOK thousand	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2012	**45,132**	**107,081**	**2,087**	**49,020**	**203,320**
Share-based payment			1,765		1,765
Total comprehensive income for the year				-66,764	-66,764
Issue of share capital	4,500	53,100			57,600
Transaction cost re issue of share capital		-3,018			-3,018
Exercise of options and warrants					0
Equity at 31 December 2012	**49,632**	**157,163**	**3,852**	**-17,744**	**192,905**
Equity at 1 January 2011	**45,132**	**107,081**	**518**		**152,731**
Share-based payment			1,569		1,569
Total comprehensive income for the year				49,020	49,020
Issue of share capital					0
Exercise of options and warrants					0
Equity at 31 December 2011	**45,132**	**107,081**	**2,087**	**49,020**	**203,320**

Statement of changes in equity in Bionor Pharma ASA

In NOK thousand	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2012	**45,132**	**154,998**	**2,087**	**101,651**	**303,868**
Share-based payment			1,765		1,765
Total comprehensive income for the year				-6,305	-6,305
Issue of share capital	4,500	53,100			57,600
Transaction cost re issue of share capital		-3,017			-3,017
Exercise of options and warrants					0
Equity at 31 December 2012	**49,632**	**205,081**	**3,852**	**95,347**	**353,910**
Equity at 1 January 2011	**45,132**	**154,998**	**518**		**200,648**
Share-based payment			1,569		1,569
Total comprehensive income for the year				101,651	101,651
Equity at 31 December 2011	**45,132**	**154,998**	**2,087**	**101,651**	**303,868**

Notes to the financial statements

Note 1
General information

The consolidated financial statements of Bionor Pharma ASA (the Group) and the financial statements of Bionor Pharma ASA (the parent) for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Boards of directors on 18 April 2013 and can be published from 19 April 2013. Bionor Pharma ASA is a public limited company incorporated and domiciled in Norway whose shares are publicly traded on the Oslo Stock Exchange under the ticker "BIONOR". The Company's head office is located at Kronprinsesse Märthas Plass 1, NO-0160 Oslo. The owners of the company have the right to change the financial statements after being published. The Company has received an exemption from regulation in Regnskapslovens §3-4 and will from now present annual reports in the English language only.

The Group includes two subsidiaries where the parent company owns 100% of the share capital and 100% of the voting rights. Nutri Pharma AS is located at the same address in Oslo and Bionor Immuno AS, a company developing peptide based therapeutic vaccines against viral diseases, is located at Klosterøya in Skien. Included in Bionor Immuno AS is also its 100% owned subsidiary Bionor Immuno Inc located in the US.

Note 2
Significant accounting policies

2.1 Basis for preparation

The consolidated financial statements of Bionor Pharma ASA (the Group) and the financial statements of Bionor Pharma ASA (the parent) have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the EU as of 31. December 2012, the Norwegian Accounting act, stock exchange regulations and stock exchange rules. The financial statements have been prepared under the historical cost convention except for investments in other financial receivables and liabilities that are recognized at amortized cost. The financial statements are presented in NOK and all values are rounded to the nearest thousand except where otherwise indicated.

According to IFRS 3 Business combinations, acquisition costs are no longer capitalized. From 2010 these have to be expensed as incurred, and the Group has decided to account for these as other operating expenses in profit or loss statement. Acquisition costs will be expensed as incurred and not have any consistent contra entry.

There are no changes in accounting policies in 2011 or 2012.

2.2 Significant accounting judgements, estimates and assumptions

The consolidated accounts have been prepared in accordance with IFRS (International Financial Reporting Standards). This means that the management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on commitments and contingencies. This particularly applies to the assessment of intangible assets such as goodwill, HIV Vacc-4x vaccine and technology platform related to the business combination with Bionor Immuno AS in 2010, deferred tax assets and impairment of non-current assets. Future events may lead to changes in these estimates. Such changes will be recognized when they occur.

GOODWILL An area with a risk for changes is the carried amount of goodwill with infinite useful life. This is both because the amount is material and because the value of the asset is based on a purchase price allocation. Goodwill is not amortized but reviewed for impairment annually, or more frequently if there are indicators of fall in fair value below carrying amount. The impairment tests are based on management estimates of expected future cash flows from each cash-generating unit which goodwill is related to. The estimates are based on expected future cash flows that are discounted with a suitable interest rate in order to calculate the net present value of these cash flows. The basis for the interest

rate is the Groups weighted average cost of capital (WACC). Goodwill is allocated to cash-generating units at the time of acquisition. Normally goodwill is allocated to one cash-generating unit, but when acquiring a Group with several business areas an allocation based on assessment on the acquisition date should be performed. This allocation will affect later impairment reviews. See note 4 for further information in regards to Goodwill.

VACC-4X, TECHNOLOGICAL PLATFORM AND OTHER INTANGIBLE ASSETS Aquired intangible assets are estimated and recognized separately. Purchase price of intangible assets acquired through business combinations is fair value on the acquisition date. The assessment of finite useful life requires considerable judgement from management. The management assess at each reporting date whether there are any impairment indicators. If any such indicators exists, the management estimates the recoverable amount. See note 4 Intangible assets.

DEFERRED TAX ASSETS Deferred tax assets are recognized for all unused tax losses to the extent that there is objective evidence that taxable profit will be available against the losses and can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of 31 December 2012 no deferred tax assets are recognized based on uncertainty of future earnings. See also note 15 Tax.

IMPAIRMENT At each balance sheet date intangible assets are tested for impairment. Assets should be assessed for impairment if there are indicators of a fall in value below carrying amount. An impairment should be recognized through profit or loss as the difference between carrying amount and recoverable amount if the latter is the lowest. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal, if the basis for any impairment no longer exists, at each reporting date.

2.3 Forreign Currency Translation

The individual financial statement of each group company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statement is presented in NOK, which is also the functional currency and presentation currency of the parent company.

Transactions in foreign currencies are translated at exchange rate at the transaction date. Monetary assets and liabilities are denominated in foreign currencies at the reporting date, and any exchange gains or losses are recognized as financial items in the profit or loss.

Income and expenses from subsidiaries with functional currency different from the parent company is translated quarterly at an average exchange rate for the period and accumulated throughout the year. Assets and liabilities for subsidiaries is translated at the closing rate at the balance sheet date. Translation gains and losses are recognized in other comprehensive income and presented in a separate component in equity, until the foreign company is disposed of. Then it is recognized through profit or loss.

2.4 Subsidiaries

Investment in subsidiaries and associates are recognized at cost in Bionor Pharma ASAs separate financial statement. The investments are recognized at cost unless impairment is necessary. Impairment to recoverable amount will be carried out if impairment indicators are present and recoverable amount is less than book value. Impairments are reversed when the cause and basis of the initial impairment is no longer present.

2.5 Basis for consolidation

The statement of financial position for the Group as of 31.12.2012 consists of Bionor Pharma ASA and entities in which Bionor Pharma ASA has controlling interests (subsidiaries). 18.02.10 Bionor Pharma ASA aquired Bionor Immuno AS and 01.07.10 Bionor Pharma ASA founded Nutri Pharma AS. As of 31.12.12 Bionor Pharma ASA owns 100% of the shares in both entities. The consolidated financial statement includes Bionor Immuno AS and Nutri Pharma AS. Bionor Immuno AS owns 100% of the entity Bionor Immuno Inc, USA which is also consolidated. A subsidiary is consolidated as of the date at which control is acquired. Control is normally acquired when the parent company owns more than 50% of the shares in the company, and the parent company has controlling influence. All intercompany balances and transactions, revenues, expenses and profit or losses are fully eliminated. Subsidiaries are consolidated at the acquisition date, which is the date when control is established, up to the date of loss of control.

The financial statement for the subsidiaries are prepared in the same accounting year as the parent company and the accounting principles are consistent within the Group. Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at fair value of received assets at the acquisition date, expenses incurred and equity instruments

issued in exchange for control over the aquired company, as well as expenses directly identified with the business combination. The acquired companys net identifiable assets, liabilities and contingent liabilities, that meet the recognition criterias in IFRS 3 Business combinations, is accounted for at fair value at the aquisition date.

Goodwill is the excess value between the acquisition price and the amount recognized as net identifiable assets and liabilities assumed after a fair value consideration. In goodwill there are values with regard to employees, potential values with regard to clinical studies, synergies and the fact that deferred tax assets are not discounted.

If the remeasurement of the value of net identifiable assets, liabilities and contingent liabilties is lower than the aquisition consideration, the difference is recognized in the profit or loss. The non-controlling interests share of the aquired company will initialy be measured as the non-controlling interests share of net identifiable assets, liabilities and contingent liabilities.

2.6 Property, plant and equipment

All property, plant and equipment are carried at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are expensed as incurred. If new parts are capitalised, replaced parts are derecognized and any remaining net book value is recorded in operating profit or loss as loss on disposal.

Depreciation of assets is calculated using the straight-line method to allocate the cost less residual value over the estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The Group assesses at each reporting date whether there are indicators of impairment. If any such indicators exist, the Group makes an estimate of the asset's recoverable amount. An impairment exist if the asset's carrying amount is greater than its estimated recoverable amount. Recoverable amount is the higher of value in use and fair value less costs to sell. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

2.7 Leasing

Classification of agreements are based on an assessment of if substantially all risks and rewards in regards of ownership of the leased asset are transferred to the lessee.

FINANCE LEASES The lease will be capitalised if substantially all risks and rewards of ownership has been transferred. Capitalized leases are depreciated over their useful lives.

OPERATING LEASES Leases for which most of the risk and rewards rests with the other contracting party. The lease payments are recognized in the income statement on a straight-line basis during the contract period.

2.8 Intangible assets

(A) PATENTS AND ROYALTY RIGHTS Patents and royalty rights aquired are measured on initial recognition at cost. Their useful life is finite and are measured at carried cost, less accumulated amortization and impairment loss. Amortization is measured at the trade mark and patents useful life (9-20 years) on a straight-line basis.

(B) RESEARCH AND DEVELOPMENT Research expenditure are recognized as an expense as incurred. Costs incurred on development projects (related to design and testing of new or improved products) are recognized as intangible assets, provided the company can demonstrate a technical feasibility to complete the intangible asset so that it will be available for use or sale, how the asset can generate future economic benefits, that they have sufficient resources to complete the asset and that the development costs can be measured reliably. Development expenses previously recognized as an expense are not recognized as an asset in subsequent periods. Capitalised development costs is recognized as cost, less any accumulated amortization and impairment loss. Capitalized development costs that have finite useful life, is amortized on a straight-line basis over the expected useful economic life of the intangible asset from the commencement of the commercial production. Time of amortization is maximum 5 years.

(C) GOODWILL Excess value from business combinations that could not be allocated to specific assets or liabilities on the acquisition date is recognized as goodwill in the balance sheet.

(D) THE COST OF INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION IS FAIR VALUE ON THE ACQUISITION DATE. A patented Vacc-4x therapeutic vaccine and technology platform originally developed by Bionor AS was aquired through a business combination (Bionor Immuno AS) :

Patented Vacc-4x therapeutical vaccine
The patented Vacc-4x therapeutic vaccine is amortized on a straight-line basis over 10 years, which reflects the minimum period of which the product will be sold.

TECHNOLOGY PLATFORM The technology platform is amortized on a straight-line basis over 11 years. This reflects the remaining useful life of the patents of Vacc-4x.

The Group assess impairment indicators of the intangible assets periodically. If such indicators exist or when annual tests of impairment are required, the company calculate an estimate of the recoverable amount . An impairment loss exists when the recognized value of the intangible asset is higher than recoverable amount. Recoverable amount is the higher of value in use and fair value less costs to sell.

2.9 Financial assets and liabilities

Financial assets and liabilities are recognized in the following categories; at fair value through profit or loss, loans and receivables and other financial liabilities. The recognition is based on the type of instrument and the purpose on initial recognition. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument (defined as expiry date).

LOANS AND RECEIVABLES Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, these instruments are carried at fair value through profit or loss. Loans and receivables are measured at amortized cost using the effective interest method, discounting is omitted where the effect of discounting is considered to be immaterial.

OTHER LIABILITIES Other financial liabilities are initially recognized at fair value of the consideration received net of transaction costs. Subsequent measurement is amortized cost using the effective interest method. The effective interest method is a method for calculating the amortized cost of a financial liability and allocating the interest expense over the contractual period. The effective interest rate it the rate that accurately discounts the estimated future cash flows over the expected life of the financial liability or over a shorter period when relevant. The estimated market rate on loans between companies within the Group as well as between subsidiaries and external lenders, that has been used to calculate net present value of future cash flow is a non-observable factor since there are few comparable transactions of debt instruments for companies in a similar situation.

FAIR VALUE THROUGH PROFIT OR LOSS Measurement of financial instruments: The hierarchy of the fair value measurement of the Group's financial assets and financial liabilities are classified as follows (see also note 13):
Level 1:
quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:
inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
Level 3:
inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.10 Trade receivables

Trade receivables are recognized initially at fair value, usually nominal amount. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash at hand, and deposits with banks. Cash equivalents is short term highly liquid investments with original maturities of 12 months or less. Overdraft facilities are included in cash and cash equivalents.

2.12 Equity

(I) EQUITY AND LIABILITIES Financial instruments are recognized as debt and equity in accordance with the underlying economic substance.

(II) TREASURY SHARES The nominal amount of treasury shares is deducted from share capital. The purchase price in excess of nominal amount is recognized in other equity. Accordingly sales price in excess of nominal amount is recognized in other equity upon disposal.

(III) COSTS OF EQUITY TRANSACTIONS Transaction costs directly related to an equity transaction are recognized directly in equity net of tax. Only expenses directly related to equity transactions are recognized directly in equity.

(IV) OTHER EQUITY (a) Exchange differences reserve
Exchange differences arise in connection with currency differences when foreign entities are consolidated. When a foreign operation is sold, the accumulated exchange differences linked to the entity are reversed and recognized in the income statement in the same period as the gain or loss on the sale is recognized.

(V) TREASURY SHARES RESERVE The purchase price in excess of nominal amount is recognized in other equity. Accordingly sales price in excess of nominal amount is recognized in other equity upon disposal.

2.13 Borrowings

All loans and borrowings are initially recognized at cost, being fair value of the consideration received net of transaction/issue costs associated with the borrowing. After initial recognition interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Any difference between the consideration received net of transaction/issue costs associated with the borrowing and the redemption value, is recognized in the income statement over the term of the loan. Amortized cost is measured by considering all issue costs, and any discount or premium at the maturity date.

2.14 Taxes

CURRENT INCOME TAX Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Tax expense consists of tax payable and change in deferred tax.

DEFERRED INCOME TAX Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for excess value from business combinations. Deferred income tax liabilities are not recognized from the initial recognition of goodwill. Deferred tax in respect to withheld results associated with investments in foreign subsidiaries and associates are recognized in the event that the company is expected to receive dividends in the forseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2.15 Employee remuneration

The Group has a defined contribution plan. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payment is available.

SHARE-BASED EMPLOYEE REMUNERATION The parent company operates equity-settled share-based remuneration plans for its employees. Fair value of the employees share-based consideration are measured by using Black Scholes model. In accordance with IFRS 2 “Share based payment” expenses are recognized through the profit or loss allocated over the vesting period, based on the best available estimate of the number of share options expected to be vested. At balance sheet date the company assesses the estimated number of options expected to be vested. The effect of the assessment of the original estimates, if any, is recognized through profit or loss as well as change in equity.
Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

2.16 Contingent liabilities

Contingent liabilities are defined as:
(I) possible obligations resulting from past events whose existence

depend on future events.
(II) obligations that are not recognized because it is not probable that they will lead to an outflow of resources
(III) Obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the annual financial statements apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are stated in the financial statement, with the exception of contingent liabilities where the probability of the liability occurring is remote.

2.17 Revenue recognition

Revenue is recognized when it is probable that transactions will generate future economic benefits that will accrue to the company and the size of the amount can be reliably estimated. In the Nordic area Nutri Pharma has a licence agreement which entitles the company to a royalty, calculated as a percentage of related sales. Royalties are recognized quarterly based on an agreed share of actual sales in the period. Revenues from the sales of Nutri5® and NutriPro are recognized at the time of delivery of the product to the customer.

Product sales through the subsidiary are made towards distributors who are independent businesses. Revenue is recognized on delivery of the products to the independent distributors.
Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Bionor Immuno AS carries out some laboratory services for external parties and revenues are recognized monthly based on hours incurred. In addition services to partners in regards to clinical studies are recognized when the size of the amounts can be reliably estimated and will generate future economic benefits that can be useful for the partners. The revenues are recognized quarterly.

2.18 Government grants

Government grants are measured at fair value on transaction date. The grant is not recognized until there is a reasonable assurance that all the attached conditions will be complied with. Government grants are recognized in profit or loss over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. The grants related to research activities in the Group is recognized net of R&D expenses. The grant is recognized as a reduction of costs.

2.19 Events after the balance sheet date

New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the company's position at the balance sheet date but which will affect the company's position in the future are stated if significant. See note 22.

2.20 Segments

For management purposes, the Group is organised into two reportable segments; Vaccine development and Nutraceuticals. These divisions comprise the basis for primary segment reporting. Financial information relating to segments and geographical divisions is presented in Note 3.

2.21 Earnings per share

Earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period. Shares issued during the period is multiplied by a time-weighting factor. Diluted earnings per share is calculated as profit or loss attributable to ordinary equity holders of the parent entity divided by weighed average number of shares outstanding, adjusted for the effects of all dilutive potential options. Profit or loss attributable to ordinary equity holders of the parent entity and weighed average number of shares outstanding, is adjusted for the dilutive effects of all potential options. All shares that can be vested as options and are "in the money" is included in the calculations. Potential share options is expected to be converted at the time of transfer.

2.22 Cash flow statement

The cash flow statement is prepared by using the indirect method and shows cash flow for respectively operational-, investing- and financing activities and explains the change in cash and cash equivalents during the period.

2.23 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Long term provisions are measured at the net present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

2.24 Standards issued but not yet effective

(A) NEW AND AMENDED STANDARDS adopted by the Group
There are no IFRSs or IFRIC interpretations that are effective for

the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

(B) NEW STANDARDS, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted.

The Group has not early adopted any of the amendments to standards or IFRIC-interpretations.

IFRS 9, The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements. However, Management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet entities. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Group's consolidated financial statements.

The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs:
(a) will not be reclassified subsequently to profit or loss and
(b) will be reclassified subsequently to profit or loss when specific conditions are met.
It is applicable for annual periods beginning on or after 1 July 2012 The Group's management has yet to assess the impact of this new standard.
The amendments state how items that belong to other comprehensive income should be classified and grouped (including tax on the relevant items). The amendments do not affect recognition or measurement.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Note 3
Segment information

The primary reporting format is determined to be business segments, as the Group's risks and rates of return are affected predominantly by differences in the products and services sold. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services in different markets.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. The group's geographical segments are based on the location of the Group's assets. After the sale of Nutrilett® trademark, royalty revenue comes from one Norwegian customer. The NutriPro and Nutri5 products are sold through Nikken. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. Bionor Pharma operates with three geographical segments; Norway, Scandinavia and Europe including Russia +CIS. Segment revenue, segment expense and segment results include transfers between business segments. Those transfers are eliminated in consolidation.

The Nutraceutical segment generates revenues from royalty agreements and direct sale of health- and weight reduction products.

The vaccine segment is still in a research and development phase. The Company has entered into an agreement with one of the largest US biotech companies to do a clinical study in Germany where Bionor Pharma's Vacc-4x is being used together with Revlimid®. The services that Bionor Pharma carries out for the cooperating company is accounted for as revenue. In 2012 there has also been some income generated from laboratory services. The subsidiary Bionor Immuno AS receive some rent through a sublease of their premises in Skien.

Segment information

In NOK thousands	FY 2012	FY 2011
Nutraceutical products	2,652	109,068
Vaccines	1,572	431
Total operating revenue	**4,224**	**109,499**
EBITDA by segment		
Nutraceutical products	-1,188	105,026
Vaccines	-57,032	-47,669
Total EBITDA	**-58,220**	**57,357**
DEPRECIATION PER SEGMENT:		
Nutraceutical products	32	50
Vaccines	11,426	11,250
Total depreciation	**11,458**	**11,300**
NET FINANCE INCOME/COST PER SEGMENT:		
Nutraceutical products	1,068	1132
Vaccines	1,846	1831
Total finance results	2,914	2,963
Results before tax	**-66,764**	**49,020**
Segment assets		
Nutraceutical products	13,625	42,673
Vaccines	197,826	212,883
Eliminations	-2,974	-2,161
Total assets	**208,477**	**253,395**
Segment liabilities		
Nutraceutical products	40	30,983
Vaccines	18,507	21,252
Eliminations	-2,974	-2,161
Total liabilities	**15,573**	**50,074**

Sale of nutraceutical products in different markets

	Norway		Scandinavia		Europe + Russia	
Revenue by category	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Royalty	91	124	0	0		
Product sales					2,561	2,170
Sale of Nutrilett		106,775				
Total	91	106,899	0	0	2,561	2,170

Note 4
Intangible assets and research and development

Intangible assets and goodwill are non-current assets mainly being capitalized when acquired in business combination. Goodwill is not amortized. Other intangible assets are amortized over their useful life. The depreciation is shown separately in the financial statement. Expenses to research and development is expensed when incurred. In 2012 a total of MNOK 26,8 is expensed.

4 Intangible assets

In NOK thousands	Goodwill	Royalty rights	HIV Vacc-4X	Technology platform	Total
2012					
Cost:					
At 1 January 2011	8,715	16,900	82,120	28,201	135,936
Additions		-	-	-	-
Disposals		-16,900	-	-	-16,900
At 31 December 2011	8,715	-	82,120	28,201	119,036
Additions		-	-	-	-
Disposals		-	-	-	-
At 31 December 2012	**8,715**	**-**	**82,120**	**28,201**	**119,036**
Amortisation and impairment:					
At 1 January 2011	-	-13,675	-7,071	-1,477	-22,223
Amortisation charge for the year	-	-	-8,212	-2,564	-10,776
Impairment for the year	-	-	-	-	-
Disposals	-	13,675	-	-	13,675
At 31 December 2011	-	-	-15,283	-4,041	-19,324
Amortisation charge for the year	-	-	-8,212	-2,564	-10,776
Impairment for the year	-	-		-	-
Disposals	-	-		-	-
At 31 December 2012	-	-	-23,495	-6,605	-30,100
Carrying value at 31 December 2012	**8,715**	**-**	**58,625**	**21,596**	**88,936**
Carrying value at 31 December 2011	**8,715**	**-**	**66,837**	**24,160**	**99,712**

The HIV vaccine Vacc-4x is amortized over 10 years which is the expected minimum period of sale of the product. The technology platform is used to design and develop vaccine candidates and is amortized over 11 years and is related to the patents formal remaining useful life from time of Bionor Immuno's original acquisition of the patents from Bionor AS, regarding Vacc-4x.

Impairment

The Group has material intangible assets. There are partly considerable uncertainties in regards to estimates attached to these assets. Both valuation and estimated useful life are based on prospective information which is always burdend with a high degree of uncertainty. These have no direct "cost price", but are mainly based on own valuations and recognized in relation to the Group's aquisition in the business combination on 18.02.2010. Goodwill is the residual from the same acquisition.

Intangible assets with finite useful life are regularly tested for impairment and if there is an indication that the estimates used in the valuations of the assets are no longer recoverable, an impairment test will be performed. If new estimates conclude that the values are not recoverable, an impairment to the recoverable amount is recognized. Recoverable amount is the higher of value in use and fair value less costs to sell.

Goodwill is not amortized. Goodwill is tested annually for impairment. If there are indicators of a fall in value, impairment should be done more frequently. Normally goodwill is tested by calculating value in use by using identified discounted cash flow related to this asset. Future cash flow is based on given assumptions and plans for the asset. If net discounted value of future cash flows is lower than carrying amount, an impairment is recognized. If net discounted value is higher than carrying amount the value of the goodwill is considered to be recoverable.

The following items are considered when testing for value in use:

CASH GENERATING UNITS A cash generating unit (CGU) is the lowest levels for which there are separately identifiable cash flows. Bionor Immuno AS is regarded as a cash generating unit, equivalent to the vaccine segment.

CASH FLOW ASSUMPTIONS Calculations on future cash flow is based on certain assumptions. This includes assumptions regarding the market potential and expected useful life of important patents. The cash flow estimates are sensitive to changes in market penetration, market size and a successful development of the vaccine as expected. Sensitivity calculations, even with wider changes in the assumptions, give no reason for impairment.

The market size used is based on data on the HIV market from well-known market analysis companies and other sources for potential patient population and own estimates of treatment costs. Penetration if the vaccine is successful is based on subjective estimates based on the expected power of the product and potentially competing products. Risk factors included positive changes from the average statistically pre-clinical success rate for HCV and Influenza vaccines influenced by validation of the technology platform already shown through Vacc-4x phase I and IIA clinical trials. This will also be valid for Vacc-C5 with additional positive results from pre-clinical analyses. Milestone payments are estimated in line with average level for corresponding transactions.

The discounted rate used is based on the Group's capital cost estimated to 9.3% after tax, based on a weighted average cost of capital (WACC) for the Group. Return on capital is estimated using Capital Asset Pricing Model (CAPM). A sensitivity analysis based on a WACC of 11% after tax gives no reason for impairment.

Note 5
Property, plant and equipment

In NOK thousands	Bionor Pharma ASA Office equipment	Group Office equipment	Group Laboratory equipment	Group Total
2011				
Cost:				
At 1 January 2011	304	304	1,457	1,761
Additions	263	419	317	736
Disposals		-	-	-
Exchange movements		-	-	-
At 31 December 2011	567	723	1,774	2,497
Additions	2769	2,769	-	2,769
Disposals	-202	-202	-	-202
Exchange movements		-	-	-
At 31 December 2012	**3,134**	**3,290**	**1,774**	**5,064**
Depreciation and impairment:				
At 1 January 2011	-231	-231	-338	-569
Depreciation charge for the year	-50	-98	-427	-525
Impairment for the year		-	-	-
Disposals		-	-	-
At 31 December 2011	-281	-329	-765	-1,094
Depreciation charge for the year	-176	-228	-455	-683
Impairment for the year		-	-	-
Disposals		-	-	-
Exchange movements		-	-	-
At 31 December 2012	**-457**	**-557**	**-1,220**	**-1,777**
Net carrying value at 31 December 2012	**2,677**	**2,733**	**554**	**3,287**
Net carrying value at 31 December 2011	286	394	1,009	1,403
Useful life	5 years	5 years	5 years	
Depreciation method	linear	linear	linear	

Depreciations are separately recognized in the profit or loss.

Note 6
Payroll expenses, number of employees and auditors remuneration

Personnel cost

In NOK thousands	Bionor Pharma ASA		Group	
	2012	2011	2012	2011
Salaries	17,360	16,389	17,351	17,250
Payroll tax	2,890	2,219	2,890	2,662
Pension expenses	578	18	578	63
Share-based payments	1,765	1,569	1,765	1,569
Other	534	339	565	451
Total	**23,127**	**20,534**	**23,150**	**21,995**

All personnel in the Group are employed in the parent company with an average number of man-years through 2012 of 18 (17 in 2011). The Company has a pension scheme for its employees in Norway. The pension obligation is fully financed by premium payments. The defined pension contribution scheme fulfills the requirements of the Norwegian occupational pension legislation (OTP).

Remuneration to management

In NOK thousands			Salary and other remuneration	Share-based payment	Pension expenses	Other	Total
Steen Krøyer	CEO (to 28.2.13)	2012	1,238	377		4	1,619
Steen Krøyer	CEO (from 15.8)	2011	525	125		1	651
Henrik Lund (1)	CEO (to 15.8)	2011	2,458	-137	20	4	2,345
Trond Syvertsen	Former CEO	2011	487		14	6	507
Gunnar Flåten	SVP F&A	2012	953	327	18	6	1,304
Gunnar Flåten	SVP F&A	2011	888	475	15	6	1,384
Rolf Henning Lem	CFO (to 31.10)	2011	1,329	-85	26	6	1,276
Birger Sørensen	Head of Vaccines	2012	1,275	464	18	168	1,925
Birger Sørensen	Head of Vaccines	2011	1,313	361	17	162	1,853
Vidar Wendel-Hansen	CMO	2012	1,631	488	395	6	2,520
Vidar Wendel-Hansen	CMO (from 1.4)	2011	1,123	686		5	1,814
Per Bengtsson	CMO (to 30.8)	2011	1,103				1,103
Maja Sommerfelt	CSO	2012	1,123	110	18	6	1,257
Maja Sommerfelt	CSO	2011	1,091	144	17	6	1,258
Mats Ökvist	Dir. Tech & Patent	2012	704		14	6	724
Hilde Aalling Syvertsen	Dir. Comm. & Corp Aff	2012	589		11	6	606
Mike Clenshaw	Head of Nutraceuticals	2012	765				765
Mike Clenshaw	Head of Nutraceuticals	2011	755				755
Total 2012			**8,278**	**1,766**	**474**	**202**	**10,720**
Total 2011			**11,072**	**1,569**	**109**	**196**	**12,946**

No members of the Board or management have loans, advanced payments or pledges issued from the Group.

Board of Director's statement on determination of salary and other remuneration to leading employees and senior management

Pursuant to section 6-16a of the Public Limited Companies Act, the Board of Directors of public limited companies is required to make a statement on the guidelines for determining pay and other remuneration of the Chief Executive Officer and other senior management. This statement will be submitted to the Annual General Meeting of Bionor Pharma ASA on 15 May 2013 for approval, and will apply for the fiscal year 2013. The guidelines on share-based incentive schemes are binding for the Board. The remaining guidelines are non-binding, but the Board will have to state its reasons in the minutes if it chooses to deviate from them.

REMUNERATION POLICY FOR THE FISCAL YEAR 2013 The Board of Directors will in the evaluation of remuneration of Senior Management aim to secure a total compensation scheme that will attract and retain a highly qualified Senior Management who will fulfill the strategic objectives of Bionor Pharma.
The Board will approve the Chief Executive Officer's pay and other remuneration. The Chief Executive Officer will determine pay and other remuneration for the other senior management within the limits established by these guidelines and possible further detailed guidelines specified by the Board.
Remuneration for the senior executives of the Group in 2013 will be based on the following main principles.

BASE SALARY The determination of base salary of Senior Management will be based on position, level of responsibility, expertise and seniority. The level of pay will be competitive. The base salary is reviewed annually based on individual performance, employee potential and competitiveness of employee's compensation scheme.

ANNUAL BONUS The bonus is performance based with a combination of Senior Management's individual operational objectives and Group operational objectives to reach Bionor Pharma overall strategic goals. The annual bonus will be limited to a maximum of 40% of base salary for the Chief Executive Officer and a maximum of 25% for CFO. Discretionary bonus for extraordinary performances may be awarded.

LONG TERM INCENTIVE SCHEMES – SHARE OPTIONS The purpose of the long term incentive program is to focus and align the Group's long term performance with shareholder values and interest. The program also serves to retain and attract senior management. Senior Management has been granted share options upon joining the Company. 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, organization level, and position. 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.

Granted share options vest over a three-year period as follows: 33% of the options vest on the first anniversary of the grant date; 33% at year two and the remaining 33% of the options vest at year three. Options expire four years after the grant date. In the case of termination of employment, the employee will not vest further share options beyond notice of termination. 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. Individual option grants are not capped by a maximum size of grant. The Board of Bionor Pharma seeks a yearly authorization from shareholders at the Annual General Meeting to issue a maximum number of share options in total for all grants. Suggested cap is approximately 8% of outstanding shares and options (fully diluted). By the end of 2012, current and previous senior management was granted 5,100,000 share options. Please see table below for share based compensation for consolidated financial statements for 2012 and overview of options granted.

PENSION SCHEMES Senior Management has a defined contribution pension scheme based on the minimum level set in Pension Contribution Act (defined contribution schemes), and do not cover pensions earnings for levels of pay 12 times greater than the National Insurance base amount (12G). This pension plan applies to all Norwegian employees in the Group. The Chief Executive Officer has the right to retire at the age of 67 and has no pension scheme other than the defined contribution plan, limited to pensionable earnings up to 12G.
The Board has decided to adjust the Company's pension scheme to be more in line with the normal standard in Norway and the pharmaceutical industry in general.

BENEFITS IN KIND The Group will not provide any benefits in kind beyond the following: car allowance, telephone and mobile phone use, broadband, daily newspapers, life insurance and other employee insurance schemes. For non-Norwegian key personnel the company covers costs in relation to travel and accommodation.

PERIOD OF NOTICE AND SEVERANCE PAYMENTS The Chief Executive Officer has 6 months notice. The other senior executives have a minimum of 3 and a maximum of 6 months notice. In the event that his employment is terminated by the Group, the Chief Executive Officer is entitled, in addition to his statutory right to salary during the period of notice, to a compensation equivalent to 12 months salary.

THE GROUP'S REMUNERATION POLICY FOR THE FINANCIAL YEAR 2012 No major changes were made to remuneration for 2012 from the guidelines approved by the annual general meeting on 11 May 2012. Steen Krøyer was appointed as CEO 15.09.2011 through an agreement with his company AK Professional Services Ltd. Steen Krøyer has through the same company an option agreement of 500,000 shares.
Head of Vaccines, Birger Sørensen, signed a termination agreement giving him salary for 6 months to the termination date (30.06.2013) and severance payment for 9 months from termination date 30.06.2013, totaling NOK 1,032,000. In 2012 the Company has accrued NOK 1,177,512 including social expenses, with payment in 2013.
Ellisiv Rogan was appointed as Director Legal from 01.02.2012. In the period from 01.01.2012 to 31.01.2012, before permanent appointment, the Company purchased her services through her company Elieva AS for a total of NOK 41,325 in fees.

Share-based compensation

Per 31.12.2012 the following terms apply on outstanding options for four senior management employees. The exercise price is NOK 2.00 and does not include any option premium.

The grant date is 01.06.2011 and the options can be vested with 1/3 per 01.06.2011, 1/3 per 01.06.2012 and 1/3 per 01.07.2013. If the employment is terminated all non-excercised options will be forfeited, with a few exceptions. There is also a claim that the Company can buy back shares based on excercised options at termination of the employment. Per 31.12.2012 the following terms apply on outstanding options for Steen Krøyer, CEO, through his company AK Professional Services Ltd.

The exercise price is NOK 1,90 and there is no option premium. The grant date is 02.09.2011 and was renewed on 28.12.2012. The options can be excercised between grant date and end date 01.01.2014. Bionor Pharma ASA has per 31.12.2012 5.1 millions outstanding options. By the end of the accounting period 5.1 million options were granted. No options have been excerised in this period.

The expensed share-based compensation for the Group and Bionor Pharma ASA is MNOK 1,765. In addition a payroll tax of MNOK 0.3 is recognized based on the difference between the share price and exercise price on exercisable options per 31.12.2012.

The grant date for the 5.1 million options per 31.12.2012 is as follows. Options to Head of Vaccines and CSO was 01.06.2010, options to CMO was 01.01.2011, options to SVP Finance & Administration was 31.08.2011 and the grant date of options to CEO was 02.09.2011 and renewed on 28.12.2012.

The options fair value is recognized using the Black & Scholes model. Expected risk free interest rate is equivalent to the government bond interest rate for the length of the options' vesting period, expected dividend is zero. The volatility is determined based on the historical volatility with a time equivalent to the options vesting period. See table for information about volatiliy, exercise price and vesting period.

Share option plan

	2012		2011	
	Number of options	2012 Weighted average exercise price (in NOK)	Number of options	2011 Weighted average exercise price
Outstanding on 1 January	5,100,000	1.99	4,800,000	1.99
Granted during the period			3,100,000	1.98
Forfeited during the period			-2,800,000	2.00
Exercised during the period				
Outstanding at 31 December	5,100,000	1.99	5,100,000	1.99
Exercisable at 31 December	3,566,667	2.00	1,533,333	2.00

See also note 2 for further information regarding the Company's share-based compensation.

Remuneration to management and Board member

	End-date	Days	Year	Volatily	Exercise price
Head of Vaccines and CSO					
Period 1	6/1/12	731	2.00	83.20%	2.00
Period 2	6/1/13	1096	3.00	75.12%	2.00
Period 3	6/1/14	1461	4.00	72.98%	2.00
CMO					
Period 1	6/1/15	1612	4.42	124.10%	2.00
Period 2	6/1/15	1612	4.42	124.10%	2.00
Period 3	6/1/15	1612	4.42	124.10%	2.00
SVP FINANCE & ADM.					
Period 1	6/1/15	1370	3.75	127.62%	2.00
Period 2	6/1/15	1370	3.75	127.62%	2.00
Period 3	6/1/15	1370	3.75	127.62%	2.00
FORMER CEO / DEPUTY CHAIRMAN					
Period 1	1/1/14	366	1.33	193.57%	1.90

Remuneration to Board members

In NOK		2012	2011
NEW BOARD OF DIRECTORS			
Lars Høie	Chairman		
Steen Krøyer	Deputy Chairman		
Benedicte Fossum	Board member		
Marianne Furru	Board member		
Jerome B. Zeldis	Board member		
FORMER BOARD OF DIRECTORS			
Lars Høie	Chairman	333,333	
Erik Danielsen	Board member	175,000	
Bjørn Fuglaas	Board member	145,833	
Marianne Furru	Board member	145,833	
Inga Kaasen	Board member	145,833	
FORMER BOARD OF DIRECTORS			
Wenche Rolfsen	Chairman	66,667	400,000
Elsebeth Budolfsen	Board member	29,167	175,000
Eric Cameron	Board member	29,167	175,000
Thomas Falck	Board member	29,167	191,667
Henrik Lund	Board member	-	56,250
Total		**1,100,000**	**997,917**

Shares and options owned by management and Board members per 31.12.2012

		Shares	Options
Steen Krøyer	Former CEO	367,200	500,000
Gunnar Flåten	SVP Fin & Adm	817,500	800,000
Birger Sørensen	Head of Vaccines	3,773,667	2,000,000
Maja Sommerfelt	CSO	319,287	800,000
Vidar Wendel-Hansen	CMO		1,000,000
Hilde Aalling Syvertsen	Dir Comm & Corp Affairs	758,000	
Mike Clenshaw	Head of Nutraceuticals	750,000	
Lars Høie	Chairman	60 000 000	
Benedicte Fossum	Board member		
Bjørn Fuglaas	Board member		
Marianne Furru	Board member	357,200	
Jerome B. Zeldis	Board member	100,000	

Steen Krøyer; number of options owned through his partly owned company AK Professional Services Ltd.
Birger Sørensen; number of shares privately owned or owned through his wholly owned company KAG AS. Furthermore a related party owns 75,000 shares and is not included in his total number of shares.
Marianne Furru; number of shares purchased through the company Fular AS.
Hilde Aalling Syvertsen; Furthermore a related party owns 6,000,000 shares and is not included in her total number of shares.

Audit fee

	Bionor Pharma ASA		Subsidiaries	
In NOK thousands	2012	2011	2012	2011
Audit fee	360	377	111	253
Tax advisory services	92	13	20	32
Other audit related services	233	-	-	-
Other services non-audit related	175	417	54	65
Total	860	807	185	350

All fees above are excluded VAT.

Note 7
Operating expenses by nature

Other operating expenses

	Bionor Pharma ASA		Group	
In NOK thousands	2012	2011	2012	2011
Sales and distribution expenses	87	41	87	41
R&D expenses ex. personnel expenses	408	250	19,221	17,965
Administration and office expenses	8,701	3,455	11,563	6,645
Other operating expenses	9,056	8,595	8,800	8,350
Government grants income			-2,240	-4,459
Total other expenses	**18,252**	**12,341**	**37,431**	**28,542**

Office lease

Bionor Pharma ASA rents offices in Oslo. The lease agreement has duration of 10 years from 01.07.2012, and is classified as operational. Bionor Immuno AS rents offices and laboratories in Skien. The lease agreement has duration of 3 years from 01.11.2010. Parts of the premises in Skien were subleased in 2012. The rent in both lease agreements can be indexed annually and none of the agreements have options for further rent.

Overview of minimum rent for the group

In NOK thousands	2012	2011
Rent up until 01.07.2022/01.11.2013	15,087	2,919
Sublease based on existing agreement	-63	-21
Total	**15,024**	**2,898**
FUTURE RENT DUE AS FOLLOWS:		
Rent first year	2,620	1,764
Sublease based on existing agreement	-63	-21
Total	**2,557**	**1,743**
Later than one year but not more than 5 years(*)	5,866	1,155
Sublease based on existing agreement	0	0
Total	**5,866**	**1,155**
Rent expenses	2012	2011
Rent expenses offices	**2,511**	**2,069**
Sublease offices	-75	-41
Total	**2,436**	**2,028**

(*) Rent for Skien offices is valid only for 10 months more, up until termination of the lease agreement.

Note 8
Finance income and cost

	Bionor Pharma ASA		Group	
In NOK thousands	2012	2011	2012	2011
FINANCE INCOME				
Interest income from subsidiaries	11,543	7,648		
Other interest income	3,986	4,996	4,023	5,016
Net foreign exchange gain	218	43	372	122
Other financial income				
Total finance income	**15,747**	**12,687**	**4,394**	**5,138**
FINANCE COST				
Interest cost from subsidiaries	-508			
Interest cost on interest bearing loans			-317	-593
Other interest cost	-31	-27	-781	-1,251
Net foreign exchange loss	-292	-109	-383	-331
Total finance cost	**-831**	**-136**	**-1 480**	**-2 175**
Net finance income	**14,916**	**12,551**	**2 914**	**2 963**

Note 9
Companies in the Group

The consolidated accounts for 2012 include the following subsidiaries of significant size:

Company	Location	Ownership in % / Voting power
Bionor Immuno AS	Skien, Norway	100% / 100%
Bionor Immuno Inc	Bethesda, USA	100% / 100%
Nutri Pharma AS	Oslo, Norway	100% / 100%

Bionor Immuno Inc is a wholly owned subsidiary of Bionor Immuno AS.

Note 10
Trade receivables

The trade receivables are none interest-bearing receivables due in less than 30 days. The royalty income in Norway is invoiced quarterly and is therefore unpaid at 31.12.2012. There are no unpaid accounts related to sale of NutriPro or Nutri5.

	Bionor Pharma ASA		Group	
In NOK thousands	2012	2011	2012	2011
Trade receivables	30	34	85	76
Total	**30**	**34**	**85**	**76**
Payments on previously disposed trade receivables		15		15
Loss on receivables	-	-	-	-

Note 11
Other short-term receivables

	Bionor Pharma ASA		Group	
In NOK thousands	2012	2011	2012	2011
VAT	4	35	847	632
Prepaid costs	131	143	3,711	1,809
Skattefunn			1,351	1,797
Other short-term receivables	444	3,383	444	3,383
Total	**579**	**3,561**	**6,353**	**7,621**

Note 12
Government grants

The Group has in 2012 received grants from RCN (Research Council of Norway) of TNOK 1,010 to a project regarding further development of therapeutic treatment. A reduction of TNOK 120 has been recognized in 2012 regarding a previously recognized grant in 2011, making net grants of TNOK 889 in 2012. To this project and a project regarding antibody based vaccine in connection with HIV the Group has accounts receivable from Skattefunn totaling TNOK 1,351. The above mentioned grants have reduced other expenses in 2012 by a total of TNOK 2,240. There are no restrictions or other unforeseen events related to these government grants.

Note 13
Financial instruments

Categories of financial assets and liabilities in the statement of financial position

In NOK thousands	Financial assets and liabilities at amortized cost	Other liabilities at amortized cost	Non financial assets and liabilities	Total
GROUP 2012				
Current assets	115,319			115,319
Financial fixed assets	935			935
Intangible assets			88,936	88,936
Fixed assets			3,288	3,288
Other short term employee obligation		-2,715		-2,715
Short-term liabilities		-12,858		-12,858
Total	**116,254**	**-15,573**	**92,224**	**192,905**
GROUP 2011				
Current assets	151,802			151,802
Financial fixed assets	478			478
Intangible assets			99,712	99,712
Fixed assets			1,403	1,403
Other short term employee obligation		-2,402		-2,402
Short-term liabilities		-44,807		-44,807
Long-term liabilities		-2,865		-2,865
Total	**152,280**	**-50,074**	**101,115**	**203,321**
BIONOR PHARMA ASA 2012				
Current assets	270,267			270,267
Financial fixed assets	935		94,560	95,495
Intangible assets			0	0
Fixed assets			2,677	2,677
Other short term employee obligation		-2,713		-2,713
Short-term liabilities		-11,816		-11,816
Total	**271,202**	**-14,529**	**97,237**	**353,910**
BIONOR PHARMA ASA 2011				
Current assets	246,909			246,909
Financial fixed assets	478		94,560	95,038
Intangible assets			0	0
Fixed assets			286	286
Other short term employee obligation		-2,301		-2,301
Short-term liabilities		-36,064		-36,064
Total	**247,387**	**-38,365**	**94,846**	**303,868**

The parent company has during the year placed excess liquidity in fixed rate deposits in Norwegian banks. Per 31.12.2012 the Company had one fixed rate agreement with a calculation period of 6 months due in February 2013. The cost for realizing this agreement would have been approximately MNOK 0.6 per end of year 2012.

Fair value of trade receivables and other short-term financial receivables and liabilities are accounted at the recorded value due to the short maturity.

Interest-bearing loans have low preliminary expenses, and the interest expenses are approximately market values and based on this fair value is equivalent to recorded value. On the Group's long term loans in 2012 an adjustment of fair value of MNOK 1.1 has been recognized. Recorded interest expenses were MNOK 0.8 while interest paid in 2012 was MNOK 0.3.

For Bionor Pharma ASA MNOK 10.6 has been recognized as interest income from subsidiaries. Paid-in interest was NOK 0. Initial profit recognition for drawings in 2012 amount to MNOK 0.2. Financial instruments with rights to convert to equity is specified as other paid-in equity and amounts to 3.9 MNOK. This is the share-based options fair valuerecognized using the Black & Scholes model. See also note 6 and 17. See note 19 – Interest-bearing liabilities and note 21 Transactions between related parties.

	Recorded value		Fair value	
In NOK thousands	2012	2011	2012	2011
GROUP FINANCIAL ASSETS				
Cash and cash equivalents	108,881	144,106	108,281	143,906
Trade receivables	85	76	85	76
Other receivables	7,288	8,098	7,288	8,098
GROUP FINANCIAL LIABILITIES				
Interest-bearing long-term loans	0	2,865	0	2,865
Trade payables	4,807	6,803	4,807	6,803
Other short term employee obligation	2,715	2,301	2,715	2,301
Other short-term liabilities	8,051	38,105	8,051	38,105
BIONOR PHARMA ASA FINANCIAL ASSETS				
Cash and cash equivalents	107,845	143,236	107,245	143,036
Trade receivables - external	30	34	30	34
Receivables within the Group	161,812	100,078	161,812	100,078
Other receivables	1,514	3,561	1,514	3,561
BIONOR PHARMA ASA FINANCIAL LIABILITIES				
Trade payables	1,262	1,021	1,262	1,021
Other short term employee obligation	2,727	2,301	2,727	2,301
Other short-term liabilities	10,539	35,043	10,539	35,043

Note 14
Bank deposits

	Bionor Pharma ASA		Group	
In NOK thousands	2012	2011	2012	2011
Restricted funds for employees witholding tax	772	759	805	792

Note 15
Tax

	Bionor Pharma ASA		Group	
In NOK thousands	2012	2011	2012	2011
Tax expenses	0	0	0	0
Profit/Loss before tax	-6,305	101,651	-66,764	49,020
Tax (28%)	-1,765	28,462	-18,694	13,726
Corrections				
Permanent differences	568	680	192	177
Permanent differences; transaction costs charged to equity	-845		-845	
Changes in temporary differences	2,042	-29,142	19,347	-13,903
Calculated tax expenses	0	0	0	0
Effective tax rate	0%	0%	0%	0%
SPECIFICATION OF DEFERRED TAX – TAX EFFECT OF TEMPORARY DIFFERENCES				
Deferred tax liabiltiy				
Intangible assets	0	0	0	0
Accounts receivables	0	0	0	0
Liabilities	404	289	38	233
Fixed assets	0	0	0	0
Gain and loss account	19,712	24,640	19,712	24,640
Total liabilities of deferred tax	**20,116**	**24,929**	**19,750**	**24,893**
DEFERRED TAX RECEIVABLES				
Tax effect of tax losses carried forward	74,934	77,832	126,400	115,402
Intangible assets	0	0	13,808	10,791
Other year-end provisions	84	0	84	0
Fixed assets	56	13	105	0
Total receivables of deferred tax	**75,074**	**77,845**	**140,397**	**126,193**
Net assets of deferred tax	54,958	52,916	120,647	101,300
Not recognized deferred tax assets	54,958	52,916	120,647	101,300
Recognized deferred tax assets	0	0	0	0
Additions to temporary changes in business combination	0	0	0	0
Accompanying change in deferred tax carried forward	0	0	0	0

Bionor Pharma ASA has tax losses carried forward in Norway, which can be offset by future tax profit in the Company. The right to carry forward the loss is unlimited. The deferred tax asset is not recognized as an asset in the balance.

The Company has, after a notice from the tax authorities, contingent liabilities of penalty tax of 30% of the tax of MNOK 89.7, see note 22.

Further Bionor Immuno AS (consolidated) has after a notice from the tax authorities reduced the loss carried forward of MNOK 21,6 due to a debt conversion in 2010. The debt conversion was looked upon as a debt remission and a deduction was not granted. Loss carried forward for 2012 and 2011 has been adjusted accordingly.

In NOK thousands	Norway	US	Group
GEOGRAPHICAL DISTRIBUTION OF DEFERRED TAX CARRIED FORWARD PER 31.12.2012			
Total loss carried forward	451,430	0	451,430
On which deferred tax assets have not been recognized	451,430	0	451,430
Tax losses on which deferred tax assets have been recognized	0	0	0
GEOGRAPHICAL DISTRIBUTION OF DEFERRED TAX CARRIED FORWARD PER 31.12.2011			
Total loss carried forward	412,152	0	412,152
On which deferred tax assets have not been recognized	412,152	0	412,152
Tax losses on which deferred tax assets have been recognized	0	0	0

Note 16
Discontinued activities

No activities have been sold or discontinued in 2011 or 2012.

Note 17
Share capital and shareholder information

Share capital per 31.12.2012 is NOK 49,631,587 with 198,526,348 shares at a nominal value of NOK 0.25 per share. There are 3,291 shareholders at 31.12.2012. All shares were fully paid. All shares are in the same class and represent the same voting rights.

Overview of the Company's 20 largest shareholders at 31.12.2012

	Number of shares	Percentage
Skandinaviska Enskilda Banken (SEB) c/o Lars H. Høie	60 000 000	30.22%
Delphi Norge	4 625 000	2.33%
Kalda AS	4 325 078	2.17%
Syvertsen Trond	4 000 000	2.01%
BNYBE – Arctic Funds	3 592 518	1.81%
Franoco AS	3 320 000	1.67%
KAG AS c/o Birger Sørensen	2 940 000	1.48%
MP Pensjon PK	2 842 135	1.43%
Dukat AS	2 625 000	1.32%
Spencer Invest AS	2 500 000	1.26%
KLP Aksje Norge VPF	2 450 000	1.23%
Verdipapirfondet Del	2 011 717	1.01%
Oust Holding AS c/o Trond Syvertsen	2 000 000	1.01%
Powerfluid AS	2 000 000	1.01%
Spencer Trading INC	1 875 000	0.94%
Verdipapirfondet DNB	1 600 000	0.81%
Kommunal Landspensjon	1 600 000	0.81%
Vuonislahti Invest AS	1 300 000	0.65%
Tvenge Bente Mowinck	1 161 400	0.59%
Drangsholt Eva	1 140 000	0.57%
Total	107 907 848	54.35%
Others	90 618 500	45.65%
Total number of shares	**198 526 348**	**100.00%**

Per 31.12.2012 the Company held 1,625 of its own shares at an average price of NOK 10.76 per share. There were no changes during the year.

In relation to the business combination Bionor Immuno it was approved at the Company's general meeting 12.02.2010 that warrants were issued in Bionor Pharma ASA for warrants issued in Bionor Immuno AS. It was issued 6,353,333 warrants each with the right to purchase 1 share to the nominal value NOK 0.25 for NOK 10. The expiry date for the warrants is 30.06.2013.

The Company has per 31.12.2012 issued a total of 5,100,000 options of which 4,600,000 options to four of the senior management. Each of these options gives the right to purchase 1 share to the nominal value of NOK 0.25 for NOK 2. In addition the former CEO Steen Krøyer has through his company AK Professional Services Ltd. 500,000 options each with the right to purchase 1 share to the nominal value of NOK 0.25 for NOK 1.90. See also note 6.

Note 18
Earnings per share

Earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period. The Company had 180 526 348 (incl 1 625 own shares) at the beginning and 198 526 348 (incl 1 625 own shares) at the end of the year. Diluted earnings per share are calculated as profit or loss attributable to ordinary equity holders of the parent entity divided by weighted average number of shares outstanding, adjusted for the effects of all dilutive potential options. No diluting effects have been accounted for. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. Potential ordinary shares are not treated as dilutive since they have a positive impact on loss per share.

Adjustment of number of own shares is taken into consideration in the calculations below.

In NOK thousands	2012	2011
Profit/Loss from continued operation	-66,764	49,020
Average number of outstanding shares (exclusive own shares)	190,264,053	180,524,723
Diluted average number of outstanding shares	190,264,053	180,524,723
Ordinary earnings per share for continued operation	-0.35	0.27
Ordinary result per share - diluted – for continued operation	-0.35	0.27

Note 19
Interest-bearing loans

The Group has one interest-bearing loan from an external lender. When Bionor Pharma ASA acquired Bionor Immuno AS 18.02.2010, Bionor Immuno AS had loans from Franoco AS of MNOK 20 and from Skien Næringsfond AS of approximately MNOK 2. Both loans have an interest rate of NIBOR 6 months + 1% and are therefore dependant on changes in the international interest rate level. For accounting purposes we have used a bench-mark interest rate for companies with the same risk profile. The loan from Skien Næringsfond AS was redeemed per 31.12.2012.

In NOK thousands	2012 Nominal value	2012 Fair value/ Booked value
Franoco AS	3,000	2,865
Total	3,000	2,865

Loan from Franoco AS is paid in semi-annual installments and the last installment is due 30.06.2013. There is no pledged collateral for this loan.

Note 20
Financial risk management objectives and policies

The Group's and the Company's financial instruments comprise of cash in banks. The main purpose of this is to finance the future Group activities. The Group and the Company have various other financial assets and liabilities such as loans, trade receivables and trade payables, which originate directly from its operations.

Capital management

The Company is not primarily focused on recorded equity ratio but is focusing on available cash and the ability to finance future activities.The Group and the Company will favor a dividend policy based on the Group's and the Company's financial performance. However, the increase in share price should, over time, account for the largest part of the return on shareholder investment. The Group and the Company has a policy to use treasury shares in order to finance future acquisitions. The Group and the Company are exposed to financial risks: Market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Foreign currency risk

The foreign currency risk is the risk that the fair value of a future cash flow from financial assets and liabilities will vary due to changes in the currency exchange rates. The Group and Company's functional and presentation currency is NOK. The Company has bank accounts in NOK and EUR. Sale of products and services are in EUR, USD and NOK. Purchase of products and services are in NOK, GBP, DKK, CHF, SEK, USD, EUR and CNY ranged by importance, of which purchase and sale in foreign currency represents approximately 53% of the operating expenses.

Through cooperation with Nikken, the Company is exposed to changes in the exchange rate between NOK and EUR. These changes can have an impact on future results and the balance sheet of the Company. The risk is limited since the Company has both cost of goods and sales in EUR with a fix percentage margin. The Group and the Company does not have any hedging agreements or any other instruments to protect against changes in foreign exchange rates, but the Board may consider such arrangements going forward with possible further international expansion.

The Group and the Company has trade receivables, trade payables and bank accounts in EUR, and is therefore most sensitive to changes in EUR against NOK. The Group and the Company is EUR neutral per 31.12.2012. The Group and the Company is per 31.12.2012 most exposed to trade payables in GBP, and an analysis of a +/- 10% change in GBP gives an effect of TNOK 120 on result- and equity effect. If NOK is strengthened against GBP it will have a positive effect on results and equity. If NOK is weakened against GBP the result and equity effect will be negative. An analysis of a +/- 10% change in all currencies gives a TNOK 165 effect in results and equity.

Interest rate risk

Interest rate risk is the risk that the fair value of a future cash flow from financial assets and liabilities will vary due to changes in interest rates. After the business combination the Group has interest-bearing liabilities. The remaining loan is in NOK and the interest rate is NIBOR 6 months + 1%. The payable interest is therefore dependant on the international interest rate level. The Group has recognized a market interest rate on loans with equivalent security. No hedging agreements are used.
Of the MNOK 108.9 in cash per end of year 2012, MNOK 88.2 was exposed to a variable interest rate, while the remaining MNOK 20.7 was placed in fixed interest agreement with an interest rate of 3.30% with a maturity time of 6 months.

A sensitivity analysis shows that if the interest rate level changes by 1% the annual increase or decrease in interest will be approximately NOK 15,000 for the liability.

Credit risk

Credit risk is the risk of counterparty's default in a financial asset, liability or customer contract, giving a financial loss. It is the Group and Company policy to trade only with recognized, creditworthy parties. Likewise the Group and Company's outstanding receivables are based on repeating business reducing the exposure to credit risk. Outstanding receivables are limited. In addition, parts of the receivables are from the government such as Skattefunn and VAT. The credit risk generated from other financial assets in the Group and Company is limited since it is mostly cash deposits. Total exposure including outstanding receivables and other short-term receivables is MNOK 116 in 2012 and MNOK 153 in 2011, and is for the parent company MNOK 109 (MNOK 271) in 2012 and MNOK 147 (MNOK 248) in 2011, - receivables from subsidiaries in brackets.

Liquidity risk

Liquidity risk is the ability to pay the financial liabilities in time. The Group and Company's objective is to maintain a balance between continuity and flexibility in the capital management. The Group limits its risk by using management tools at all times to provide estimates of liquidity needs. The Company's cash situation has been solid, and will secure funding of the Company's activities into the second half of 2014 based on the planned research and development program in the subsidiary Bionor Immuno AS.

Due dates under the terms of contract for financial liabilities including future interest payments:

In NOK thousands	31.12.2012 Recorded value	Contractual cash flow	2013	2014 and later	31.12.2011 Recorded value	Contractual cash flow	2012	2013 and later
GROUP FINANCIAL RECEIVABLES								
Trade receivables	85	85	85		76	76	76	
Other short-term receivables	6,353	6,353	6,353		8,098	8,098	8,098	
Other long-term receivables	935	935	935					
Cash	108,881	108,881	108,881		144,106	144,106	144,106	
Total	**116,254**	**116,254**	**116,254**		**152,280**	**152,280**	**152,280**	
GROUP FINANCIAL LIABILITIES								
Interest-bearing loans	2,865	3,045	3,045		8,826	10,066	7,003	3,063
Trade payables	4,807	4,807	4,807		6,803	6,803	6,803	
Other short-term liabilities	7,901	7,901	7,901		34,445	34,445	34,445	
Total	**15,573**	**15,753**	**15,753**		**50,074**	**51,314**	**48,251**	**3,063**
BIONOR PHARMA FINANCIAL RECEIVABLES								
Trade receivables	30	30	30		34	34	34	
Other short-term receivables	580	580	580		3,561	3,561	3,561	
Loan to subsidiaries	161,812	173,961		173,961	100,078	109,438	109,438	
Other long-term receivables	935	935	935		478	478	478	
Cash	107,845	107,845	107,845		143,236	143,236	143,236	
Total	**271,202**	**283,351**	**109,390**	**173,961**	**247,387**	**256,747**	**256,747**	

In addition the Company has financial receivables in shares in subsidiaries without due time.

BIONOR PHARMA FINANCIAL LIABILITIES								
Trade payables	1,262	1,262	1,262		1,021	1,021	1,021	
Other short-term liabilities	13,266	13,266	13,266		37,344	37,344	37,344	
Total	**14,528**	**14,528**	**14,528**		**38,365**	**38,365**	**38,365**	

In addition to loans, Bionor Pharma ASA has outstanding trade receivables from its subsidiary Bionor Immuno AS of TNOK 45 483 and corresponding accounts payable of 2,108, - net outstanding TNOK 43,375. This outstanding amount will be paid when the liquidity in Bionor Immuno AS makes this possible.

Note 21
Related party transactions

In NOK thousands	Year	Sale to related parties	Purchase from related parties	Receivables from related parties	Liabilities to related parties	Interest from related parties
GROUP FINANCIAL RECEIVABLES						
AK Professional Services Ltd	2012		450		450	
AK Professional Services Ltd	2011		131		131	
VWH & Company, Vidar Wendel-Hansen	2011		647			
Cornucopia, Henrik Lund	2011		23			
Bionor Laboratories AS	2012	97	1,341	40	316	
Bionor Laboratories AS	2011	176	457	27	86	
Grette DA	2011		543		216	
Oust Holding AS,Trond Syvertsen	2012		214		42	
Elieva AS, Ellisiv Rogan	2012		41			
Totals for 2012	**2012**	**97**	**2,046**	**40**	**808**	
Totals for 2011	2011	176	1,801	27	433	
BIONOR PHARMA ASA FINANCIAL RECEIVABLES						
AK Professional Services Ltd	2012		450		450	
AK Professional Services Ltd	2011		131		131	
VWH & Company, Vidar Wendel-Hansen	2011		647			
Cornucopia, Henrik Lund	2011		23			
Bionor Immuno AS	2012	19,545	351	161,812	2,974	11,035
Bionor Immuno AS	2011	14,562	925	100,078	2,009	7,648
Bionor Laboratories AS	2011	3		3		
Grette DA	2011		543			
Oust Holding AS,Trond Syvertsen	2012		214		42	
Elieva AS, Ellisiv Rogan	2012		14			
Totals for 2012	**2012**	**19,545**	**1,029**	**161,812**	**3,466**	**11,035**
Total for 2011	2011	14,565	2,269	100,081	2,140	7,864

Purchases from related parties AK Professional Services Ltd, Steen Krøyer, VWH & Company, Vidar Wendel-Hansen, Elieva AS, Ellisiv Rogan and Cornucopia, Henrik Lund. See note 6. Bionor Laboratories AS is owned 75% by three members of senior management, Birger Sørensen, Gunnar Flåten and Ellisiv Rogan. Purchases from related parties are made on market terms. Loans from the parent company to its subsidiary Bionor Immuno AS are given on the following terms: interest rate NIBOR 3 months + 10% all due 01.01.2014. Previous Board member Inga Kaasen is a partner in Grette DA.

Note 22
Contingent liabilities

Based on a decision made by the Tax Authorities in 2009 the Company has to pay 30% penalty of the tax on the first MNOK 89.7 earned beyond loss carried forward. The penalty tax is estimated to be MNOK 7.5. Due to the uncertainty of the timing of a potential tax position, this penalty is not recognized.

Grant Thornton

To The Annual Shareholders' Meeting of
Bionor Pharma ASA

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INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Bionor Pharma ASA, which comprise the financial statements of the parent company, showing a loss of NOK 6 305 000, and the financial statements of the group, showing a loss of NOK 66 764 000. The financial statements of the parent company and of the group comprises the statements of financial position as at 31 December 2012, the statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements of the parent company and our audit opinion on the financial statements of the group.

Opinion on the financial statements of the parent company and group

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent company and of the group

Grant Thornton

Bionor Pharma ASA as at 31 December 2012, and of the financial performances and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' reportand the statement of corporate governance

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 the statement of corporate governance concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss 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 produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18.04.2013
Grant Thornton Revisjon AS

Jan Møller
State Authorized Public Accountant (Norway)

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BIONORPHARMA

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