CAN HIV BE CURED

BIONOR

LETTER FROM THE CHIEF EXECUTIVE OFFICER

Can HIV be cured?

… we believe so, although a treatment to fully eradicate HIV infection is not considered a realistic possibility for years to come. In the meantime, Bionor will continue all our efforts to develop a functional HIV cure aiming at controlling virus in the blood at a level low enough to prevent progression and transmission of the disease. And encouraged by the successful completion of our recent REDUC clinical trial, Bionor has come one step closer to the goal of developing a functional cure for HIV.

Looking back at 2015, it was indeed a year of significant advances and changes in Bionor. A completely new management team, myself including, joined the company with significant healthcare and business development experience. We were all intrigued by the prospects of advancing Bionor's proprietary and unique therapeutic HIV vaccine, Vacc-4x, into a functional cure for HIV. And we have not been disappointed. Although there is still a long way to go, we have made significant progress during 2015.

In December, Bionor completed the REDUC clinical trial, evaluating whether priming the immune system with Vacc-4x to attack HIV-infected cells upon activation and release of the latent reservoir can improve viral control after administration of the latency reversing agent, romidepsin. REDUC successfully met its endpoints by demonstrating control of viral load and reducing the latent HIV reservoir.

The results of the REDUC clinical trial have fostered worldwide and substantial interest in Bionor from people living with HIV, medical opinion leaders and the media, and our results and findings have created a strong foundation for further advancement of Vacc-4x as a core component in a functional cure for HIV.

During the year, we also succeeded in attracting three additional prominent HIV and immunology experts to further strengthen our Clinical Advisory Board, which plays a critical role in advancing the combination of Vacc-4x and romidepsin into a full-scale proof of concept Phase II clinical trial, BIOSKILL. This trial is an important next step in our development strategy. I'm very excited that currently, clinical trial applications have been submitted to the authorities in several European countries. BIOSKILL is important to firmly establish Vacc-4x as a core component in a functional cure for HIV and is expected to lead to a major value inflection point for Bionor's shareholders.

On 11 February 2016, our shareholders approved at an extra-ordinary general meeting the completion of a private placement raising NOK 45 million in gross proceeds and a subsequent repair offering. On 3 March 2016, we announced that the repair offering raised gross proceeds of NOK 16 million. I am grateful for the support from new and existing shareholders and your trust in Bionor and our abilities to achieve our goal of developing a functional HIV cure.

With the major events of 2015, we are highly encouraged to continue our pioneering work. I am confident that Bionor is on the right track to develop a functional cure for HIV, giving hope to HIV-positive individuals and demonstrating that significant improvements to current treatment options are still possible.

Yours sincerely,

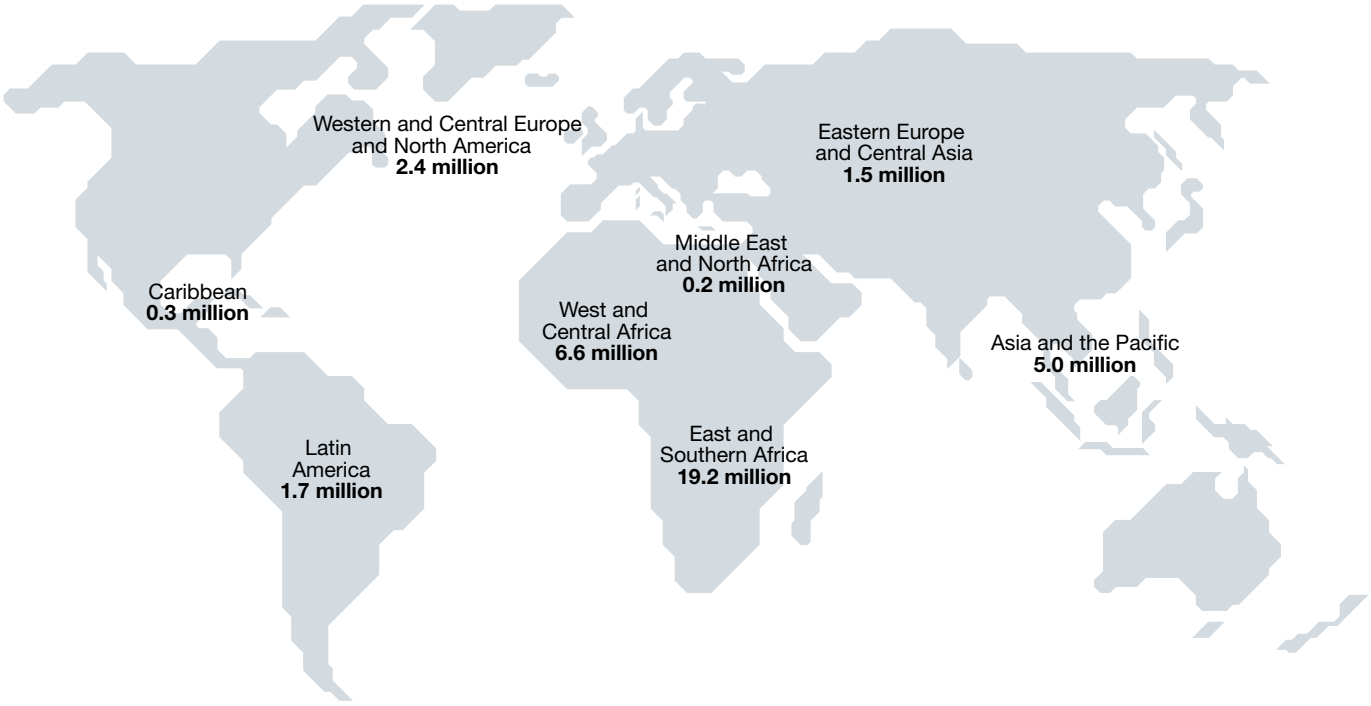
David Horn Solomon
President and Chief Executive Officer

CONTENT

Bionor is a Norwegian biopharmaceutical company focused on advancing its proprietary therapeutic vaccine Vacc-4x in combination with other medicines to develop a functional cure for HIV. The company believes it has first mover potential based on clinical results to date and early adoption of now recognized clinical strategy. In December 2015, Bionor announced that the HIV 'Shock & Kill' trial REDUC with Vacc-4x and romidepsin successfully met its primary endpoint by reducing latent HIV reservoir and further demonstrated control of viral load. Bionor is currently planning BIOSKILL, a proof-of-concept Phase II trial, which may lead to a major value inflection point and partnering opportunities. Bionor currently retains full ownership rights to Vacc-4x, i.e., the upside potential from partnering or licensing remains with the company. Bionor is based in Oslo, Norway, and also has offices in Copenhagen, Denmark and New York, USA. Bionor is listed on Oslo Børs (OSE:BIONOR). More information about Bionor is available at www.bionorpharma.com.

HIV WORLDWIDE

ADULTS AND CHILDREN LIVING WITH HIV IN 2014



2.0 MILLION

New HIV infections in 2014

37 MILLION

HIV-positive persons worldwide

1.2 MILLION

Deaths due to AIDS in 2014

Global* sales of conventional HIV treatment (cART) were around USD 14 billion in 2014
Expected to grow to around USD 15.3 billion in 2023 (compound annual growth rate of 0.9%)

* US, France, Germany, Italy, Spain, The UK, Japan, Brazil, China

LIVING WITH HIV AND HOPE FOR A CURE

Bionor has asked three HIV-positive individuals to tell their story and explain their experience living with HIV, and their hopes for future treatment

"Sarah", 53 years, tested HIV-positive in 1987

Sarah was infected by her husband. Coming from Africa, her husband was in a risk group, and they both got tested after deciding that they wanted a child. Her immediate reaction when they were both diagnosed with HIV was to cancel her career and forget about having kids. She used to be very ambitious but all of a sudden education, career plan and pension scheme seemed useless.

"I got very ill in 1995 and was hospitalized with various diseases, a viral load of 375,000 copies/mL blood and a CD4 count of 12-16. I had more than 70 visitors in the hospital and thought: I can't die with all these loving people around. Until then, I hadn't been on any medication because of the limited efficacy and high level of side effects. In the summer of 1996, an improved medicine came; people rose from their beds and got their lives back. After only 14 days of treatment, the HIV could no longer be measured in the blood! This was fantastic. But even today, the medicine consists of huge tablets, which reminds you every day that you are ill."

"I believe there will be a cure one day. It will mean a lot to get rid of the medicine, because you are worried by the side effects, especially the potential long term effects."

"A cure will greatly reduce stigma and self-stigma."

"I wasn't crushed the evening I got the message, that I was infected. I decided that this should not change my life. I knew it was not a death sentence. But I couldn't maintain my normal daily life and pretend that nothing had happened. I spent too much energy on trying to live a normal life."

"I didn't experience stigma at the workplace. My colleagues showed that they were not afraid of being infected, they hugged me, but I gained no care and interest in my disease. I missed care."

"Our lives are affected by the lack of information in the community. We can't get life insurance, it is difficult getting travel insurance and there are 80 countries in which we can't enter. A therapeutic vaccine could help overcome some of the prejudice against HIV."

"A cure will solve the problem with stigma. A cure will enable us to live 100% normal lives."

"Robert", 43 years, tested HIV-positive in 2012

Robert was tested as part of a routine check.

“Thomas”, 40 years, tested HIV-positive in 2008

Thomas was diagnosed with HIV in connection with treatment for colorectal cancer. He was very ill and had a CD4 count of 0 and a viral load of 193,000 copies/mL blood. He was unable to get out of bed, but 14 days after he started antiretroviral treatment, he felt much better. Owing his colorectal cancer Thomas had undergone 26 operations including reconstruction of the colon. However, when he was asked which diagnosis was the worst, cancer or HIV, he answered HIV.

“You can feel and deal with the pain from the cancer and all the operations. HIV is a ghost living inside you.” “I got care and interest from others as a cancer patient but not for my HIV disease. If you have HIV infection, it is considered your own fault.”

“There are still a lot of side effects from the current medicine, and I’m worried about HIV in my brain if the medicine can’t cross the blood-brain barrier. It would be fantastic if you only have to be treated every quarter as taking the medication daily reminds you of your disease every day.”

“It would be a huge relief psychologically if you could remove HIV from the body – providing a feeling of being healthy and that there’s no fight going on between the virus and your body.”

What is a therapeutic vaccine?

A therapeutic vaccine is a vaccine used in the treatment of a diagnosed infectious disease, whereas a prophylactic vaccine is used in the prevention of a certain infectious disease. Common for both kinds of vaccines is that they are used to stimulate the body’s own immune system to target the invading microorganism or infected cell.

What is CD4 count?

CD4+ T cells are a type of white blood cells that are essential for the human immune system’s ability to fight infections. The CD4 count measures the number of CD4+ T cells per microliter blood. HIV attack and destroy the CD4+ T cells and uses the CD4 machinery to make copies of itself and spread throughout the body, why people infected with HIV has a reduced CD4 count. The CD4 count of an uninfected, healthy person ranges from 500 to 1,200 CD4+ T cells per microliter blood.

2015 HIGHLIGHTS AND FINANCIAL KEY FIGURES

- Announcement of revised company strategy and development plans for advancing toward a functional cure for HIV and possible next value inflection points
- Successful completion of the HIV 'Shock & Kill' trial REDUC with Vacc-4x and romidepsin, which demonstrated control of viral load and met its primary endpoint by reducing latent HIV reservoir
- The results from Part A of the REDUC trial were published for the first time in the peer-reviewed journal PLOS Pathogens
- The submission of clinical trial applications (CTA) to the medicines agencies in the United Kingdom and Denmark requesting approval to initiate BIOSKILL
- Strategic augmentation of the company's Clinical Advisory Board to emphasize the focus on a functional cure for HIV
- A new agreement was entered into with Celgene securing a continued supply of romidepsin for use in BIOSKILL
- Establishment of a new Executive Management team with extensive biopharmaceutical experience

		2015	2014	Change
INCOME STATEMENT				
Employee Benefit Expenses	NOK million	(26.5)	(13.8)	92%
Other operating expenses	NOK million	(59.8)	(45.1)	33%
External R&D expenses	NOK million	(23.1)	(30.2)	(24%)
Grants	NOK million	14.3	17.1	(17%)
Core cost base	NOK million	(63.1)	(28.6)	121%
CASH FLOW				
Net cash from financing	NOK million	1.4	50.1	(97%)
Net cash flow	NOK million	(82.5)	(14.4)	(473%)
Cash and cash equivalents at year end	NOK million	10.6	93.1	(89%)
SHARE INFORMATION				
Share price year end	NOK	1.61	2.32	(31%)
Market cap year end	NOK million	401	576	(30%)
Outstanding shares at period end	Million	249	248	
Earnings (loss) per share, basic and diluted	NOK	(0.39)	(0.29)	34%

MEDIA COVERAGE OF REDUC RESULTS

REDUC Part B results featured in Wall Street Journal 22 December 2015

Announcement of REDUC Part B results 21 December 2015 lead to global and significant press coverage – including in the US and Norway. The Wall Street Journal included an interview with Dr. David Horn Solomon, President and CEO of Bionor, who emphasized that the trial was the first to combine a therapeutic vaccine and a latency reversing agent to show the 'Shock & Kill' hypothesis is in fact correct and could be an important component of functional HIV cure. David Solomon also said that the trial was another incremental step in the search for a cure for HIV and that he believed the results were impressive and important as a springboard to run further trials.

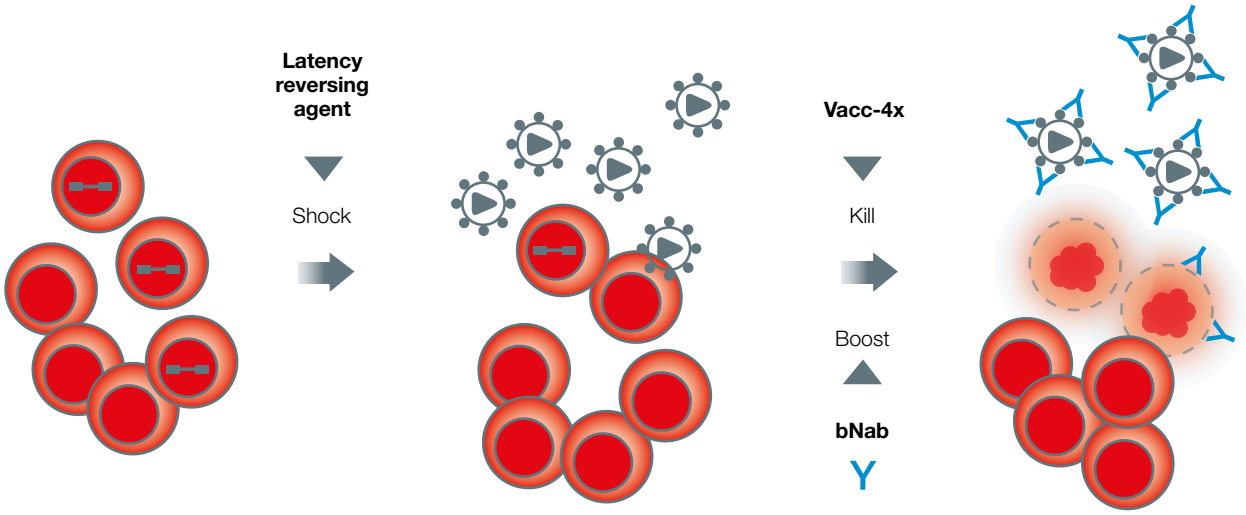
ADVANCING A POSSIBLE FUNCTIONAL CURE FOR HIV

Soon after a person is infected with HIV, the virus establishes a latent reservoir in different types of cells throughout the body. The reservoir is produced when infected immune CD4+ T cells are transformed into dormant long-lived 'memory' cells. Because the memory cell is dormant, the virus is kept in a silent state where no additional virus particles are produced. This makes the virus invisible to the immune system and to standard treatments of HIV infection. The longer the time before initiating treatment, the larger the reservoir of dormant HIV-infected cells will likely be.

Combination antiretroviral therapy (cART) is the standard treatment for HIV-positive individuals today. As the name indicates, the treatment most often combines three different ways of suppressing and inhibiting spread of the virus. The main goal of this treatment is to block the virus from replicating and infecting new cells (see figure with HIV life cycle), but the treatment cannot eradicate virus from already infected cells nor can it kill the infected cells. It therefore needs to be taken for life. Upon discontinuation of the treatment, the level of virus in the blood will increase dramatically and there will be a rapid progression of the disease.

Vacc-4x is a therapeutic vaccine designed to induce a cellular immune response targeting cells infected with HIV. This means, that Vacc-4x aims to educate the immune system to identify and kill cells infected with HIV. However, the reservoir is a major hurdle to eradicating HIV due to its invisibility to the immune system. Reactivation of the virus by using a latency reversing agent (LRA) like romidepsin, makes the cells visible and susceptible to killing by cells that have been educated by Vacc-4x immunization to target and kill virus-infected cells. In this way, combining an LRA and Vacc-4x could reduce the HIV reservoir and also control the level of HIV in the blood without the need for daily treatment with cART, hence constituting a 'functional cure' (see figure 'Shock & Kill').

'SHOCK & KILL'



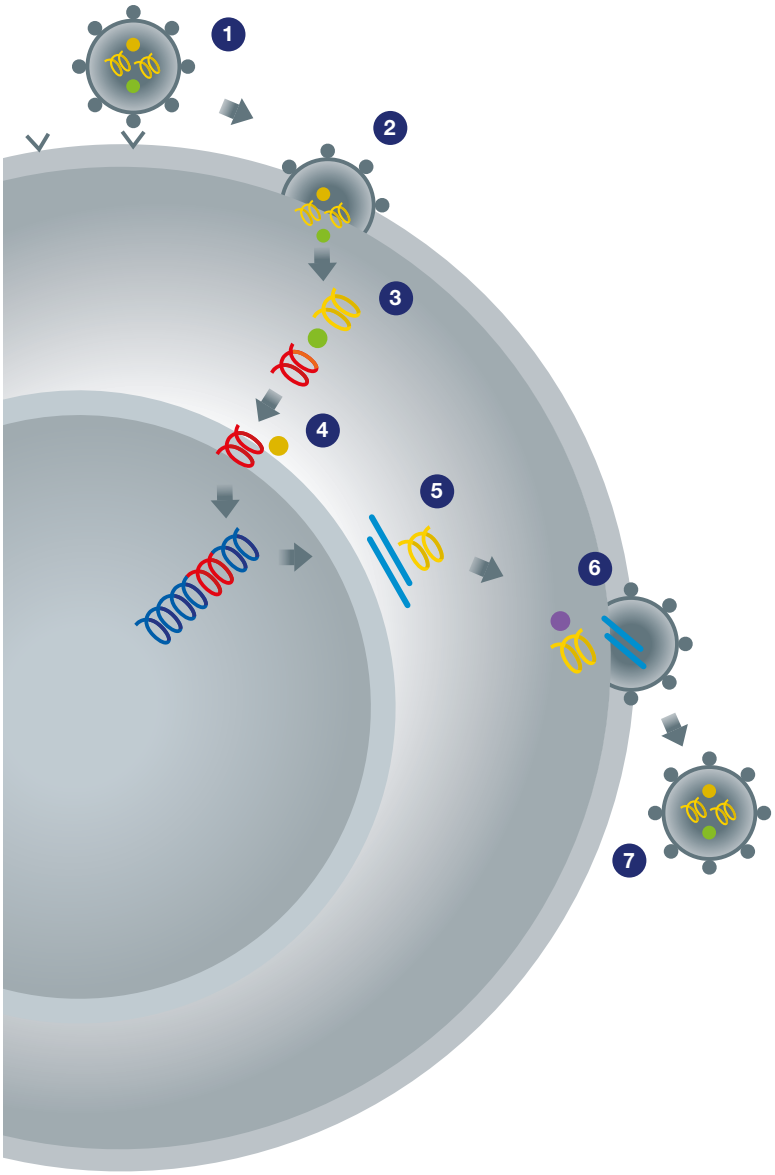
Functional cure vs. sterilizing cure

There are two broadly defined cure categories for HIV infection: 'functional' and 'sterilizing'. Sterilizing cure is defined as complete eradication of HIV and is currently not considered a realistic possibility for years to come. Functional cure is defined as the 'host-mediated control of HIV replication, in the absence of cART'. In the course of a functional cure, the virus in the blood is controlled at a level low enough to prevent disease progression and transmission.

'Shock & Kill'

Bionor is employing Vacc-4x ('Kill') as a therapeutic vaccine in combination with romidepsin to reactivate the virus in the reservoir ('Shock'), and anticipates that a third agent will also be needed as part of a combination treatment, to achieve functional cure. Bionor is planning to investigate the possible use of a broadly neutralizing antibody (bNab) as a third agent to complement the effects of Vacc-4x by blocking infectivity of virus particles produced on latency reversal.

THE HIV LIFE CYCLE



1 Binding
HIV particles attach to cells by binding to specific cell surface receptors.

2 Fusion
After binding, the viral and cell membranes fuse together allowing the HIV core particle to enter the cell.

3 Reverse transcription
The HIV genetic material is converted from RNA form to DNA form by the viral enzyme reverse transcriptase.

4 Integration
The viral DNA form then migrates to the cell nucleus where the HIV enzyme integrase incorporates the viral DNA into the host cell chromosomes.

5 Transcription and translation
The HIV DNA uses host cell machinery to generate viral proteins and genetic material that form the basis for new virus particles.

6 Assembly
HIV proteins are first made as long protein chains that come together beneath the host cell membrane. New HIV genetic material (RNA) becomes incorporated into the assembling virus particle.

7 Budding
The immature virus particle leaves the cell taking with it, a part of the plasma membrane. The viral enzyme, protease, then cuts the long proteins into smaller constituents to make the mature virus particle that can infect new cells.

BIONOR'S STRATEGY TOWARD A FUNCTIONAL CURE FOR HIV

In 2015, Bionor's Board of Directors and Executive Management completed a strategic review of the company. This resulted in a reinforced focus on developing the company's proprietary therapeutic vaccine, Vacc-4x, in combination with other medicines, toward a possible functional cure for HIV. To achieve a functional cure, HIV in the blood must be controlled at a level low enough to prevent disease progression and transmission, in the absence of combination antiretroviral therapy (cART), the current standard of care for HIV infection.

Bionor has adopted a 'Shock & Kill' clinical strategy employing Vacc-4x ('Kill') as a backbone treatment in combination with a latency reversing agent ('Shock'), and anticipates that a third agent will also be needed as part of a combination treatment, to achieve functional cure.

To select the optimal components in a combination regimen, Bionor intends to conduct two exploratory clinical trials in parallel with BIOSKILL, including 1) an evaluation of an appropriate third agent intended to further improve the immune response towards HIV, and 2) a latency reversing agent with a simpler mode of administration than what is currently possible with romidepsin (four hour intravenous infusion per treatment).

Bionor plans to investigate the possible use of a broadly neutralizing antibody as a third agent to complement the effects of Vacc-4x by blocking infectivity of virus particles produced on latency reversal.

The company expects that the completion of the BIOSKILL proof of concept clinical trial and the two smaller exploratory clinical trials will provide strong support for the execution of a subsequent Phase II clinical trial of a triple regimen for a functional HIV cure with Vacc-4x as its core. A successful completion of this clinical trial would be expected by the company to lead to initiation of a clinical Phase III program and a regulatory approvable product.

The following key strengths and characteristics are critical for Bionor to create long term value and achieve the ultimate goal of developing a functional HIV cure:

- First mover potential for advancing towards a possible functional cure for HIV due to early adoption of a recognized therapeutic approach ('Shock & Kill')
- Strong clinical results to date and scientifically founded development strategy with clear path to value inception
- Targeting global HIV market with significant commercial potential. More than 36 million people worldwide are currently infected with HIV. In the US alone, 1.3 million people were living with the disease in 2012, estimated to constitute a market value for cART of USD 9.3 billion
- Full proprietary rights to Vacc-4x and robust IP strategy with multiple patent families directed to Vacc-4x compositions and uses, i.e., the upside potential from partnering or licensing remain with the company
- Prestigious international Clinical Advisory Board with world-leading key opinion leaders in HIV/AIDS treatment and collaborations with HIV experts
- Experienced Executive Management and Board of Directors with proven life science track records

Development competences are largely in-sourced to maintain flexibility and agility. The company outsources functions not deemed essential to value creation, including production of peptides, adjuvants and delivery methods.

FUNDING

Bionor has a strong track record of receiving non-dilutive funding from third parties, mainly through grants, to support its research and development activities.

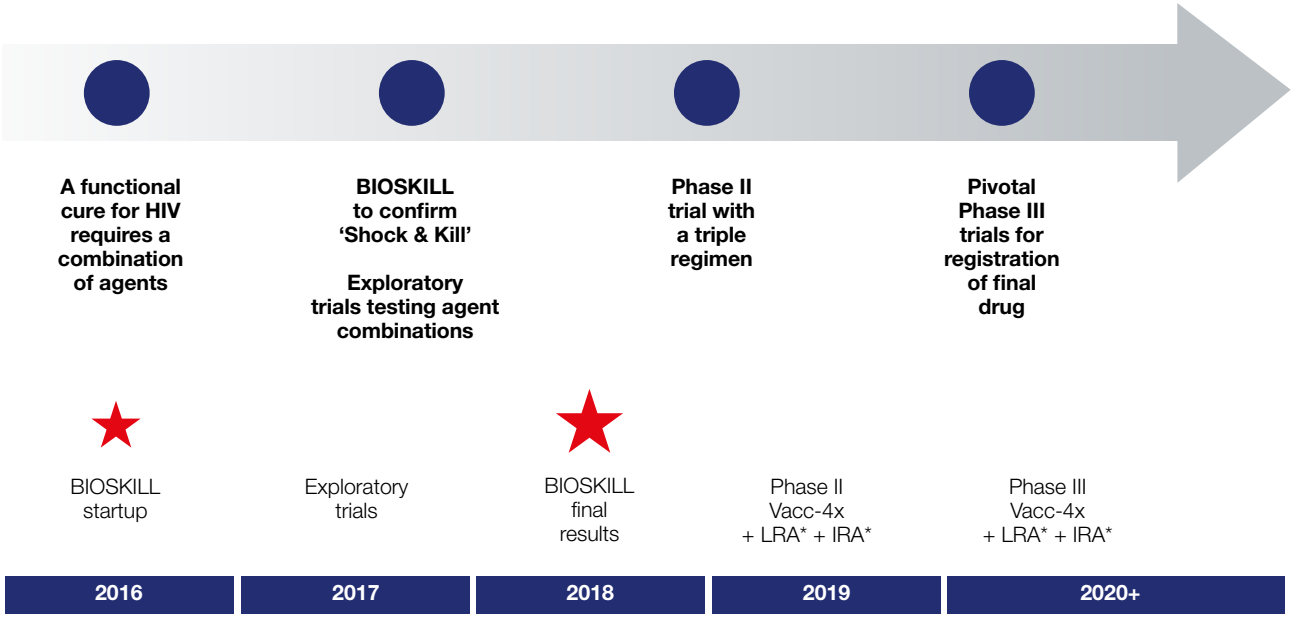
The company has to date attracted more than NOK 100 million in non-dilutive funding, primarily from the Research Council of Norway, including approximately NOK 90 million in grants and NOK 15 million from the Norwegian Skattefunn Tax Incentive Scheme ("Skattefunn"). In October 2015, Bionor was granted an additional approximately NOK 20 million over three years from Skattefunn for the BIOSKILL clinical trial. The company will continue to pursue non-dilutive funding for supportive value creating activities.

In February 2016, Bionor's shareholders approved at an extra-ordinary general meeting a private placement raising gross proceeds of NOK 45 million. On 3 March 2016, Bionor announced that a subsequent repair offering raised gross proceeds of NOK 16 million.

Bionor is planning to complete an additional equity offering during the first half of 2016, before initiation of the BIOSKILL clinical trial.

In total, Bionor's capital need is estimated to be approximately NOK 375-425 million from the third quarter of 2016 to the first quarter of 2019, equivalent to the period from initiation of the BIOSKILL clinical trial until approximately 6-9 months after the expected announcement of final results of BIOSKILL, which the company expects to be the next major value inflection point.

ANTICIPATED OUTLINE FOR ADVANCING A POSSIBLE FUNCTIONAL HIV CURE



* LRA: Latency Reversing Agent; IRA: Immune Regulating Agent

DRUG DEVELOPMENT IN A CLINICAL SETTING

Bionor has established a Clinical Advisory Board consisting of 10 prominent experts within the fields of HIV/AIDS, functional HIV cure and immunology. The purpose of the advisory board is primarily to discuss the design and outcome of Bionor-sponsored clinical trials. One of the Clinical Advisory Board members is Dr. Dag Kvale, Professor of Medicine at the Department of Infectious Diseases at Oslo University Hospital

"In the department, we participate primarily in clinical trials that are interesting from an academic perspective, and provide new information for publishing in scientific journals. This is because we are a university hospital with research obligations. From this follows, that we prioritize phase I and II trials and few phase III trials as the latter is often more important for regulatory approval and marketing, but less interesting from a scientific standpoint."

"When initiating a new clinical trial, we first identify individuals that fit the study criteria in our database. We then aim to contact the individuals personally. In our experience, personal contact is much better than sending a letter to ensure a high enrolment rate. We invest a lot of time and effort in the first meeting with the individual in order to inform about the trial and possible outcomes. It is very important with good communication and information. The recruiting rates vary and depend on the project's basic ideas and practical issues such as number of visits."

"Individuals participate in clinical trials because they want to get better or because they have a wish to contribute to the research. Even phase I trials may feel all right, provided that the risk profiles of the compounds we test in HIV patients are low; it is often immune regulating agents of human origin with few side effects or peptides with short half-lives and not new complex chemical compounds. For most individuals, it's not a problem to pause cART temporarily during a trial due to the tight regulatory framework and close monitoring of each individual to understand his or her response."

Dag Kvale was originally trained as a mucosal immunologist but started clinical education with HIV-positive individuals in 1988. Dag Kvale has been the principal investigator in two Bionor-sponsored trials with Vacc-4x

"Robert", 43 years, tested HIV-positive in 2012

"I was happy to be involved in a clinical trial in the start of my treatment. There's a huge difference of participating in a clinical trial and coming in at the ordinary outpatient clinic. In a clinical trial you feel safe and that there's time and interest in both the physical and mental part of you."

"HIV is not only a physical disease, but it is only the physical body that is taken care of in the health care system."

DIAGRAM SHOWING CLINICAL PHASES I-III AND TIMELINES

Clinical phase I

Phase I includes the first clinical trials in a small group of humans. The phase I trial is designed to assess safety and tolerability of the investigational drug at the dose range expected to be needed for later clinical trials. Moreover, the trials are conducted to determine absorption, distribution, metabolism and excretion of the product, and if possible, to gain early evidence of efficacy. In most cases phase I clinical trials are conducted in healthy volunteers but dependent of the disease and nature of the new drug it can also be performed in patients. Most of Bionor's phase I clinical trials have been performed on HIV patients.

Clinical phase II

Phase II clinical trials are conducted with patients bearing a disease. The aim of phase II trials is to determine how well the drug works and to assess the safety and tolerability level in a larger population. During phase II, the selection of dose and dose regimen should be determined, and the potential efficacy endpoints for phase III will be evaluated.

Clinical phase III

Phase III clinical trials, sometimes also referred to as pivotal clinical trials, are designed to confirm the preliminary evidence accumulated in phase II that the product is safe and effective in the intended indication and recipient population. These clinical trials are intended to provide an adequate basis for marketing approval, and are usually significantly larger in number of patients recruited than phase II trials.

COMPLETED CLINICAL TRIALS WITH VACC-4X

Based on the seven completed Bionor-sponsored Phase I and Phase II clinical trials of Vacc-4x, and the administration of the drug to more than 280 patients, Vacc-4x has shown to be safe and well tolerated, including in combination with other HIV treatments

CLINICAL TRIAL	DESCRIPTION
CTN B-HIV-1/99	First use in humans; 11 patients, 0.4 mg, safety endpoint, Norway Efficacy endpoint: Delayed-type hypersensitivity (DTH) skin reaction
CTN B-HIV-2/2001	Dose finding, 40 patients, 0.4 mg and 1.2 mg, immunogenicity endpoints, Norway Efficacy endpoints: Delayed-type hypersensitivity (DTH) skin reaction; Viral load and CD4+ T cell counts after treatment interruption
CT BI-Vacc-4x 2007/1	Efficacy and safety, 135 patients, 1.2 mg, first placebo controlled, randomized, double blind study, U.S., UK, Germany, Spain, Italy Efficacy endpoints: ART resumption, changes in CD4+ T cell counts between Vacc-4x and placebo during treatment interruption, viral load, and immunogenicity (as measured by ELISPOT and proliferation
CTN BI-Vacc-4x/2009/1	Re-boost of 25 of the 38 patients from CTN B-HIV-2/2001, 1.2 mg, Norway Efficacy endpoint: Reactivation or increase the immune response obtained during the immunization performed in the CTN B-HIV- 2/2001 study
CT-BI Vacc-4x/IMiD-2010/1	Vacc-4x and lenalidomide, 36 patients, randomized, double blind, 1.2 mg, Germany Efficacy Endpoints: CD4+ T cell counts (CD4+ T cell change), T cell function (enzyme-linked immunosorbent spot assay (ELISPOT) and Flow Cytometry) and humoral response to HIV–p24 and humoral response to a non-HIV vaccine antigen (tetanus toxoid antibody titer)
CT-BI Vacc-4x 2012/1	Re-boost of 33 patients from CT BI-Vacc-4x 2007/1, 1.2 mg, U.S., UK, Germany, Spain, Italy Efficacy endpoints: Reduction of viral load set-point, and increase the immune response obtained following immunization with Vacc-4x in Study CT-BI Vacc-4x 2007/1
BPC01-001 (REDUC)	Vacc-4x and romidepsin, 26 patients, open-label, 1.2 mg, Denmark Efficacy endpoints Part A: viral load and size of latent reservoir measured in CD4+ T cells Efficacy endpoints Part B: Reduction of latent reservoir size measured in CD4+ T cells, viral load and time to re-initiation of cART following monitored antiretroviral pause

DIRECTORS' REPORT

Bionor made in 2015 significant and encouraging progress in the company's strategy to advance Vacc-4x in combination with other medicines to develop a possible functional cure for HIV

ABOUT BIONOR PHARMA

Bionor is a Norwegian biopharmaceutical company focused on advancing its proprietary therapeutic vaccine Vacc-4x in combination with other medicines to develop a functional cure for HIV. The company believes it has first mover potential based on clinical results to date and early adoption of now recognized clinical strategy. In December 2015, Bionor announced that the HIV 'Shock & Kill' trial REDUC with Vacc-4x and romidepsin successfully met its primary endpoint by reducing latent HIV reservoir and further demonstrated control of viral load. Bionor is currently planning BIOSKILL, a proof-of-concept Phase II trial, which may lead to a major value inflection point and partnering opportunities.

Bionor currently retains full ownership rights to Vacc-4x, i.e., the upside potential from partnering or licensing remains with the company. Bionor is based in Oslo, Norway, and also has offices in Copenhagen, Denmark and New York, USA. Bionor is listed on Oslo Børs (OSE:BIONOR).

THE REDUC CLINICAL TRIAL

The REDUC Phase I/II clinical trial was concluded in December 2015 with the announcement that Part B of the trial demonstrated control of viral load and met its primary endpoint by reducing latent HIV reservoir.

The headline results as announced were:

- Viral load remained below the level of detection in 11 out of 17 individuals on cART despite latent HIV reservoir reactivation. Four individuals had measureable but low viral load and only at one of the three romidepsin infusions
- Measured by Total HIV DNA and quantitative Viral Outgrowth Assay (qVOA), the latent HIV reservoir was significantly reduced by an average of 40%
- The combination of Vacc-4x and romidepsin was safe and well tolerated.

The control of viral load in the majority of individuals suggests that Vacc-4x (administered with the adjuvant rhuGM-CSF) leads to killing of infected CD4+ T cells. In comparison, antiretroviral drugs inhibit viral replication, but do not kill infected immune cells. These differences observed between the results of REDUC Part A and Part B are notable. In REDUC Part A, individuals on cART received romidepsin, but not Vacc-4x/rhuGM-CSF, and viral load (viral RNA in the blood) increased to detectable levels after romidepsin infusions in five out of six individuals. With time, the released virus was cleared and no new virus was produced because the individuals were on cART.

In REDUC Part B, 11 out of 17 individuals on cART and immunized with Vacc-4x/rhuGM-CSF before romidepsin treatment had no detectable viral load despite documented activation by romidepsin to the same levels as in Part A. This difference suggests that activated virus producing cells were killed due to pre-treatment with Vacc-4x/rhuGM-CSF before they could release virus into the blood.

These results support Bionor's clinical 'Shock & Kill' approach in that viral load remained below the level of detection in the majority of individuals and latent reservoir was reduced by an average of 40% while the individuals were on cART. The novel findings in the REDUC trial are thus considered by the company as a strong foundation for further advancement of Vacc-4x as a core component in a functional cure for HIV. It is especially encouraging that viral load remained below the limit of detection (20 copies/mL) in 11 of 17 individuals throughout the trial while on cART despite a documented viral reactivation in CD4+ T cells following romidepsin infusions. Of the six individuals with detectable viral load, four individuals had measureable but low HIV levels in the blood after one of the three romidepsin infusions, and only 21-59 copies/mL. Importantly, only two of 17 individuals had detectable viral load after each of the three romidepsin infusions.

Latent reservoir size

Three different assays were selected to measure effects on latent reservoir size due to ongoing discussions in the scientific HIV community on how best to estimate the true size of the reservoir and the effects of treatments. Currently, there is no clear understanding of which method gives the most relevant measure of change in reservoir and the absolute reductions are not readily comparable between the different assays.

All three assays showed a mean reduction of the latent HIV reservoir. Measured by Total HIV DNA, a significant mean reduction of 40% (p=0.012) was achieved, and likewise, a 40% (p=0.019) mean reduction in latent HIV reservoir size was measured by Viral Outgrowth Assay (qVOA). Data for Integrated HIV DNA was announced after the balance sheet date, in February 2016, and showed a mean 13% non-statistically significant (p=0.271) reduction. Importantly, the three assays all send the same signal of a reduction in the latent HIV reservoir.

In REDUC Part A, in which the individuals received romidepsin

infusions without a preceding vaccination with Vacc-4x, the size of the latent reservoir was not affected.

Time to rebound
The median time to re-initiation of cART following treatment interruption was 24.5 days, though with significant variation between treated individuals, which is similar to what would be expected without an intervention. The results are aligned with a consensus in the HIV scientific community that a combination of more than two different compound classes is likely required to achieve a long-lasting viral control in the absence of cART.

Bionor anticipates that a third agent capable of further strengthening immune reactivity is needed as part of a combination treatment in addition to Vacc-4x and a latency reversing agent.

Safety and tolerability
The treatment of Vacc-4x and romidepsin was safe and well tolerated. All adverse reactions were consistent with the known side effects of either romidepsin (i.e., fatigue, nausea, and constipation) or Vacc-4x administered with rhuGM-CSF (local skin reactions, fatigue, and headache).

In total, 141 adverse events were registered of which 43 adverse events were considered related to Vacc-4x administered with rhuGM-CSF and 57 to romidepsin. Forty-one adverse events were non-related and 133 of the adverse events were mild (grade 1) and resolved spontaneously within a few days. There were a few grade 2 adverse events, and no observed drug related grade 3 adverse events.

THE PLANNED BIOSKILL CLINICAL TRIAL

The completion of the REDUC trial constitutes a strong foundation for further advancement of Vacc-4x as a core component in a functional cure for HIV. As previously communicated, Bionor expects to initiate the international and placebo controlled BIOSKILL clinical trial when funding has been secured to execute and complete the full scope of the trial. To date, Bionor has received approval of its clinical trial applications for BIOSKILL in the United Kingdom and Denmark, and has filed a clinical trial application in Germany.

BIOSKILL is a Phase II, randomized, double blind, placebo controlled clinical trial designed as the next step in developing a functional cure for HIV. The primary endpoint will be to assess the immune-mediated effect of the combination of Vacc-4x and romidepsin on viral load, during cART. Secondary virological and immunological endpoints will include measurements of the size of the latent HIV reservoir, CD4+ and CD8+ T cell counts, and other immunological parameters. The correlation between individuals' levels of anti-C5/gp41 antibodies and the ability to control virus in the blood will also be assessed. The BIOSKILL trial will not include cART treatment interruption.

OTHER COMBINATION STUDIES AND VACCINE CANDIDATES

Vacc-C5 and Vacc-HIV
Vacc-C5 is a peptide designed to induce antibody responses to the HIV gp120 C5 domain. Anti-Vacc-C5 antibodies potentially represent a biomarker for improved viral load outcome. Clinical trial results have shown that individuals with high levels of anti-C5 antibodies prior to Vacc-4x vaccination were more likely to achieve lower viral load values on cART treatment interruption than those with low or no anti-C5 antibody levels. This observation will need to be verified and anti-C5 antibody levels will be followed in at least one of the company's planned future clinical trials (BIOSKILL).

Vacc-HIV is a pre-clinical project combining Vacc-4x and Vacc-C5. Vacc-HIV as a therapeutic vaccine candidate aims to provide better viral load outcome compared to Vacc-4x alone by combining a cellular and a humoral immune approach. Bionor has decided currently not to advance the Vacc-4x + Vacc-C5 combination in light of the priority given to development of Vacc-4x in combination with a latency reversing agent.

Vacc-4x + lenalidomide (Revlimid™)
Data from this clinical trial was accepted as a poster presentation at the 2015 HIV Cure Symposium held in Vancouver, Canada, 18-19 July 2015. The clinical trial tested Vacc-4x alone and Vacc-4x immunization in the presence of lenalidomide in individuals that have not normalized their CD4 count despite being well controlled on cART. A low CD4 count implies that these individuals had a more compromised immune system than individuals reaching their CD4 count target. Bionor has decided currently not to advance the Vacc-4x + lenalidomide combination in light of the priority given to development of Vacc-4x in combination with a latency reversing agent.

Vacc-FLU
Vacc-FLU is an early stage (pre-clinical) development project with the aim of developing a vaccine based on peptides corresponding to conserved domains on influenza viruses of animals and man. The overall objective is to reduce morbidity and mortality associated with seasonal and pandemic influenza.

Due to Bionor's focus on HIV, the company has decided to only advance Vacc-FLU through a partnership. Efforts to identify a potential partner have not been initiated in light of the priority given to development of Vacc-4x.

CORPORATE MATTERS

In July 2015, Bionor signed an agreement with Celgene securing a continued supply of romidepsin (Istodax®) for use in the BIOSKILL trial.

Following the appointment of David Horn Solomon as new CEO in January 2015, Dr. Solomon subsequently appointed a skilled and experienced team to join him as the Executive Management at

Bionor, including Jens Krøis, Chief Financial Officer, Barbara Ruskin, General Counsel and Chief Intellectual Property Officer, Kamilla Rolsted, Chief Strategy and Business Development Officer and Søren Keller, Chief Operating Officer.

At the Annual General Meeting in May 2015, a new Chairman of the Board and three non-executive Board members were appointed. Russell G. Greig was appointed new Chairman while Kirsten Drejer, Bernd R. Seizinger, and Thomas Hofstaetter were elected as new Board members. On 11 March 2016, a new Board of Directors were elected at an Extraordinary General Meeting. The Board of Directors now consists of Per Thoresen as newly elected Chairman of the Board, Lars H. Høie and Ingrid Leisner as new board members, and Jerome B. Zeldis, Benedicte Fossum, Thomas Hofstaetter and Kirsten Drejer as reelected board members. See profiles of the Board of Directors and Management at pages 30-33 of this report.

PEOPLE AND ORGANIZATION

Bionor is a small organization and depends largely on outside consultants to run clinical trials and provide expert advice on regulatory, clinical and other matters important to the development of pharmaceuticals. The Board of Directors are committed to ensuring equal opportunities and diversity, and it endeavors not to discriminate due to ethnicity, national origin, descent, skin colour, language, religion or faith, and to achieve a balanced gender split throughout personnel policies in terms of salary, promotion and recruitment. By the end of 2015, Bionor had 13 employees and more than 60% of the workforce was women.

In October 2015, Bionor announced the appointment of three additional members to the company's Clinical Advisory Board, which now consists of 10 world-renowned HIV experts. The new members are Drs. Steven G. Deeks, Christine Katlama and Daniel Kuritzkes. The Clinical Advisory Board provides critical contributions to the development strategy and design of clinical trials.

Bionor opened offices in Copenhagen and New York in order to facilitate improved access to world-class biopharmaceutical competencies and international life science specialist investors.

FINANCIAL REVIEW

Revenues in 2015 were NOK 0.1 million (2014: NOK 1.8 million). Revenues in 2014 were mainly related to sales of nutraceutical products. Cost of goods sold was NOK 0.0 million in 2015 (2014: NOK 1.2 million).

Employee Benefit Expenses in 2015 were NOK 26.5 million (2014: NOK 13.8 million). The increase was primarily due to establishment of an Executive Management team to support Bionor's strategy and clinical development program in 2015, set against a reversal of share-based payment in 2014.

Other operating expenses were NOK 59.8 million (2014: NOK 45.1 million). The increase was due to lease and establishment of new offices in DK and the US and costs related to the preparations and resources used for the planning of a significant but unrealized equity raise in 2015. External R&D expenses in 2015 were NOK 23.1 million (2014: 30.2 million) primarily related to finalization of the REDUC trial and preparation of BIOSKILL.

Government grants received in 2015 were NOK 14.3 million (2014: NOK 17.1 million).

Total operating expenses in 2015 were NOK 97.5 million (2014: NOK 71.2 million).

The company monitors its financial performance based on its Core cost base. The Core cost base is defined as Employee Benefit Expenses plus Other operating expenses less External R&D expenses.

The Core cost base thus refers to costs that are required to run the business, excluding External R&D expenses, which can vary over time. For 2015, the Core cost base amounted to NOK 63.1 million (2014: NOK 28.6 million). The increase in the Core cost base compared to 2014 was related to the reinvigoration of the company's strategy, management and infrastructure in order to maintain Bionor's first mover potential to advance toward a possible functional HIV cure.

Depreciation and amortization in 2015 amounted to NOK 11.3 million (2014: NOK 11.2 million).

Net financial items were NOK 0.7 million in 2015 (2014: NOK 1.4 million). The reduction in Net financial items was due to lower average cash position and lower interest income from lower interest rates.

Result before tax and Net loss in 2015 was NOK -96.7 million (2014: NOK -68.1 million).

The Board of Directors proposes that the Net loss in 2015 is distributed as Retained earnings.

Cash flow and liquidity

Cash flow from operations was NOK -82.1 million in 2015 (2014: NOK -64.5 million). Net working capital was NOK -8.5 million at period end 2015 (end 2014: NOK -3.3 million).

Net cash flow for 2015 was NOK -82.5 million (2014: NOK -14.4 million). The less negative cash flow in 2014 was due to the issue of share capital of NOK 50.1 million in Q3 2014.

Cash flow from investments of NOK 1.9 million refers to costs for establishing the Danish office in first half of 2015.

Cash and cash equivalents at period end 2015 amounted to NOK 10.6 million compared to NOK 93.1 million at the end of 2014.

Financial position
Total assets were NOK 97.4 million at the end of 2015 compared to NOK 187.4 million at the end of 2014. The main reason for the decrease was due to reduction of Cash and cash equivalents. Equity ratio amounted to 68.0% at the end of 2015 compared to 85.6% at the end of 2014.

Financial guidance for 2015 and 2016
In 2015, Bionor met its financial guidance of a Core cost base in the range of NOK 55-63 million. The Core cost base amounted to NOK 63.1 million. The Core cost base is defined as Employee Benefit Expenses plus Other operating expenses less External R&D expenses.

For 2016, Bionor expects the Core cost base to be in the range of NOK 58-66 million.

Going concern assumption
Pursuant to section 3-3a of the Norwegian Accounting Act and with reference to the company's financial position, the Board considers that the Group's working capital position is not sufficient for Bionor to continue as a going concern for the next 12-month period.

11 February 2016, the company's shareholders approved the completion of a private placement raising NOK 45 million in gross proceeds, which is expected to fund the company through the first half of 2016, and on 3 March 2016, Bionor announced that a subsequent repair offering for existing shareholders raised NOK 16 million in gross proceeds. Bionor is planning to complete an additional equity offering during the first half of 2016.

The uncertainty regarding additional funding cast significant doubt about the company's ability to continue as a going concern. The Board believes that the additional equity offering will be sufficient to continue as a going concern, and the financial statements for 2015 have been prepared on a basis of going concern.

DIVIDEND POLICY

The Group has not paid dividends to date. It is Bionor's belief that the return to shareholders will come as a result of successful development of the vaccine candidates, which is the company's current focus. Bionor does not anticipate distribution of cash dividends until the company reaches the income generating stage.

SHARES AND CAPITAL AND BOARD MANDATES

Bionor had 249,309,950 outstanding ordinary shares with a nominal value of NOK 0.25 each at 31 December 2015. All shares have equal status and only one shareholder class.

The highest recorded price for the Bionor Pharma ASA share during 2015 was NOK 3.04, while the lowest price was NOK 1.00. The closing price at 30 December 2015 was NOK 1.61. The trading of the Bionor Pharma ASA share on Oslo Børs amounted in 2015 to 163% of the company's average outstanding shares in 2015. Bionor Pharma ASA had 4,777 shareholders at year end. The principal shareholder of Bionor is Lars H. Høie, who held 24.1% of the share capital by 31 December 2015.

The company's AGM in May 2015 granted the Board authorization to:

- Increase the share capital by private placement with a maximum of NOK 6,200,000 by issue of up to 24,800,000 new shares, each at a nominal value of NOK 0.25. The authorization has not been utilized.

- Increase the share capital for the use in the company's incentive program, by a maximum of NOK 3,000,000 by issuance of up to 12,000,000 new shares, each at a nominal value of NOK 0.25. In 2015, 666,667 new shares were issued to cover exercise of share options in the company's incentive program.

CORPORATE GOVERNANCE

Bionor is committed to creating long term value in the best interest of its shareholders and other stakeholders. It is the company's strong belief that through good corporate governance and transparent and consistent communication with its shareholders and stakeholders the company will strengthen public confidence and trust.

A long term incentive scheme is put in place for the company's CEO and Executive Management in order to ensure alignment of interests between management and shareholders. The Board of Directors has prepared a statement of Corporate Governance for 2015 in accordance with the Norwegian Code of Practice for Corporate Governance. It reports how Bionor meets the requirements and explains possible deviations from the code. The statement can be found on page 24-27 of this report.

CORPORATE SOCIAL RESPONSIBILITY

The focus area for the company is HIV, and Bionor is exploring a path toward a functional cure for HIV. The company's focus is therefore inherently quality of life for millions of people worldwide. Bionor is operating under strict guidelines by drug authorities to ensure that its clinical and preclinical trials meet ethical standards to ensure the individual safety as well documented research. In order to advance its research the company depends on HIV individuals volunteering for clinical trials and ensuring safety of the volunteers is of the outmost importance.

The company's direct impact on environmental, social and human rights aspects is limited. Bionor adheres to the laws and regulations in the countries of operation, but the company has not implemented corporate policies or other written procedures regarding corporate social responsibility.

Sick leave in Bionor was 1.8% in 2015 (2014: 2.6%). There were no accidents or injuries during the year.

OPERATIONAL RISK AND RISK MANAGEMENT

Bionor's key focus is the development of pharmaceuticals and its activities entail exposure to various risks. The company proactively manages such risks and the Executive Management and Board will regularly analyze its operations and potential risk factors and take measures to reduce risk exposure. The company puts great emphasis on the safety of the volunteers for the clinical trials and in general the regulatory framework of the development of pharmaceutical products.

There is a general inherent risk in the development of pharmaceuticals. Many development projects that appear promising in preclinical studies fail to progress as product candidates in clinical trials. Bionor's product candidate Vacc-4x is in Phase II of development. Further, favorable results in early clinical trials may not be repeated in later clinical trials, and product candidates in later-stage trials may fail to show acceptable safety and efficacy despite having progressed through early-stage trials.

There is currently no therapeutic vaccine developed and marketed for HIV and currently no regulatory guidelines issued by the US Food and Drug Administration (FDA), European Medicines Agency (EMA) or any other regulatory body for the development and approval of therapeutic HIV vaccines. Regulatory guidelines often indicate timelines and scope of the development program necessary to obtain marketing authorization for the products. The absence of regulatory guidelines may adversely impact the timelines and cost of the development of product candidates.

Bionor conducts or plans to conduct clinical trials in combination with products, which it does not control and might be patent protected and/or have limited market access. This may adversely impact the clinical development and/or the commercialization of the vaccine candidates. The effects of Vacc-4x are investigated in combination with romidepsin (Istodax®), controlled by Celgene. The adjuvant used in the administration of Vacc-4x is rhuGM-CSF (Leukine®) controlled by Sanofi Aventis.

The development of pharmaceuticals is very time consuming and costly. Bionor depends largely on third parties to conduct its clinical trials. Clinical trials might be delayed for numerous reasons such as delay in subject recruitment, unforeseen safety issues or other unforeseen operational or regulatory issues related to the clinical trial. Delays in trials might increase the cost of the trial and additional capital requirement might arise.

Bionor is a development company and is accumulating financial losses. Operating losses are expected to continue during the development of the company's product candidates until a potential profitable commercialization of one or more of the products. While the company is working toward a profitable revenue stream from the product candidates, the company might never be able to generate such revenues from the product candidates or achieve profitability.

FINANCIAL RISK AND RISK MANAGEMENT

The Group's activities are exposed to certain financial risks including foreign exchange risk, credit risk and liquidity risk. The risk is however of such character that the Group has chosen not to put in place any measures to mitigate the potential unpredictability of the financial markets.

The Group had NOK 10.6 million in cash and cash equivalents at year end 2015. The Group had as per 3 March 2016 raised gross proceeds of NOK 45 million in a private placement and NOK 16 million in a repair offering. The main purpose of this is to fund the Group into the third quarter of 2016. The Group will accordingly need to seek to raise substantial additional capital, in addition to the private placement and repair offering, in order to pursue its strategy and develop its business. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which originate directly from its operations.

Foreign currency risk

The value of the Group's non-Norwegian currency denominated revenues and costs will be affected by changes in currency exchange rates or exchange control regulations. The Group's current and foreseeable upcoming costs, including significant clinical trial costs, are incurred primarily in EURs and thus the Group will be affected by fluctuation of the EUR relative to the NOK and the frequency and magnitude of any such fluctuations if any cannot be predicted.

Furthermore, purchases of services for the Group are also incurred in GBP and DKK in addition to CHF and USD. The vast majority of Bionor Pharma's future revenues are expected to be in USD and EUR. Bionor Pharma's current practice is to match currencies across revenues and expenses. The foreign currency exposure is mostly linked to trade payables with short payment terms. Bionor Pharma does not use derivatives to manage financial risks. Changes in foreign exchange rate will impact the Group's statement of financial position and a sensitivity analysis of +/- 10% in currencies gives an effect of below NOK 1.6 million. The Group might consider changing its current risk management of foreign exchange rate if deemed necessary.

Interest rate risk

The Group holds NOK 10.6 million in cash and cash equivalents and does not have any borrowings. Since the Group does not hold any derivative financial instrument the Group is to a lesser extent exposed to fair value evaluation following changes in interest rates. The Group's interest rate risk is therefore in the rate of return of its cash on hand. The Group will from time to time choose to place some of its cash on hand on fixed interest agreements.

Credit risk

Credit risk is the risk of counterparty's default in a financial asset, liability or customer contract, giving a financial loss. The Group's receivables are limited to receivables to public authorities and to business partners. The Group's credit risk of receivables is therefore limited. It is the Group's policy to trade only with recognized, creditworthy parties. The credit risk generated from other financial assets in the Group is limited since it is mostly cash deposits. The Group only places its cash in bank deposits in recognized Nordic financial institutions to limit its credit risk exposure. The Group's

credit risk exposure relating to receivables amounts to NOK 22.7 million (2014: NOK 23.7 million).

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce cost of capital. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. In order to maintain this objective, the Group may issue new shares to meet operational needs. The Group is not subject to externally imposed capital requirements. It is the Group's strategy to maintain cash and cash equivalents to significantly excess its net financial liabilities.

Liquidity risk
Liquidity is monitored on a continual basis by Group management. In the Group's opinion, the Group does not have sufficient working capital for its present requirement for at least 12 months.

Although the Group raised net proceeds of NOK 33 million in a private placement and NOK 16 million in gross proceeds in a subsequent repair offering as of 3 March 2016, the Group estimates that it will run out of working capital in the third quarter of 2016 if no additional funds are secured. The Group estimates that the private placement is, together with the repair offering, the first of the necessary funding activities to ensure sufficient working capital for the next 12 months. The Group estimates that it requires a total amount of NOK 90-100 million in order to achieve sufficient working capital for the next 12 months, such amount including the net proceeds from the private placement and the repair offering.

Accordingly, the Group requires additional working capital for the second half of 2016 equal of approx. NOK 40-60 million through additional funding activities. The Group believes that these measures together will be sufficient to finance the Group for at least 12 months.

Bionor is planning to complete an additional equity offering during the first half of 2016, before initiation of the BIOSKILL clinical trial. In total, Bionor's capital need is estimated to be approximately NOK 375-425 million from the third quarter of 2016 to the first quarter of 2019, equivalent to the period from initiation of the BIOSKILL clinical trial until approximately 6-9 months after the expected announcement of final results of BIOSKILL, which the company expects to be the next major value inflection point.

There can be no guarantee that additional funding activities will take place or be successful. If the Group fails to succeed with obtaining financing through the additional funding activities, the Group may enter into bankruptcy proceedings. Please refer to note 16 (Financial risk management) and note 21 (Going concern).

On 1 February 2016, Bionor announced that the Research Council of Norway (RCN) through its BIA Program (Brukerstyrt Innovasjonsarena), has awarded the company up to NOK 9.2 million to partially fund an exploratory Phase I/II trial. The trial will test to what extent an HIV-specific broadly neutralizing antibody (bNab) could complement the effects of Vacc-4x by blocking infectivity of virus particles. The grant from RCN is expected to correspond to around 40% of the total trial cost incurred in the trial period from 2016 to 2019.

Oslo, 31 March 2016
The Board of Directors of Bionor Pharma ASA

Per S. Thoresen, Chairman

Lars H. Høie

Benedicte Fossum

Tomas Hofstaetter

Kirsten Drejer, Director

Jerome B. Zeldis

Ingrid Leisner

David Horn Solomon, CEO

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

We hereby declare that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations thereof, established by the International Accounting Standards Board and adopted by the EU with effect as of 31 December 2015, and that the information contained in the said year end financial statements provides a true and fair picture of the overall assets, liabilities, financial position and results of the parent company and the Group, as well as a true and fair overview of the information stipulated in Section 5-6, paragraph 4 of the Norwegian Securities Trading Act. We further declare that, to the best of our knowledge, the annual report provides a true and fair picture of important events in the accounting period and their impact on the year end financial statements, as well as the most important areas of risk and uncertainty facing the business in the forthcoming accounting period.

Oslo, 31 March 2016
The Board of Directors of Bionor Pharma ASA

Per S. Thoresen, Chairman

Lars H. Høie

Benedicte Fossum

Tomas Hofstaetter

Kirsten Drejer, Director

Jerome B. Zeldis

Ingrid Leisner

David Horn Solomon, CEO

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Bionor is committed to creating long term value in the best interest of its shareholders and other stakeholders. It is the company's strong belief that through good corporate governance and transparent and consistent communication with its shareholders and other stakeholders the company will strengthen public confidence and trust.

A long term incentive scheme is put in place for the company's CEO and Executive Management in order to ensure alignment of interests between management and shareholders. The Board of Directors has prepared a statement of Corporate Governance for 2015 in accordance with the Norwegian Code of Practice for Corporate Governance. It reports how Bionor meets the requirements and explains possible deviations from the code. The Board and Management review the principles for corporate governance annually.

Bionor aims at having 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 its stakeholders and HIV-positive individuals. HIV infection is a serious disease, and the responsibility to HIV-positive individuals participating in the company's clinical studies is particularly important to ensure.

The company has to date not defined written corporate values or ethical guidelines. In the view of the company such formal guidelines and procedures have not been required in the early stages of development and with the limited resources of the company. The company continues to evaluate the need for implementation of such written guidelines. In the case where written guidelines do not exist, the company adheres to the principles set forth in the Corporate Governance code, Norwegian law, FDA regulations and regulations by other relevant authorities to ensure equal treatment of shareholders and its ethical responsibility as a drug developer.

BUSINESS

The objectives and purposes for Bionor are defined in the company's Articles of Association. It states that "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's Articles of Association are available at the company's website www.bionorpharma.com.

EQUITY AND DIVIDENDS

Equity
The Group's equity at 31 December 2015 was NOK 66.3 million, which corresponds to an equity ratio of 68.0%. The Board aims to maintain an equity ratio that remains satisfactory in light of the company's goals, strategy and risk profile.

DIVIDEND POLICY

The Group has not paid dividends to date. It is Bionor's belief that the return to shareholders will come as a result of successful development of the vaccine candidates, which is the company's current focus. Bionor does not anticipate distribution of cash dividends until the company reaches the income generating stage.

MANDATES

The Board has been given the authorization by the company's General Meeting to;

- Increase the share capital by private placement. The Board was granted authority to increase the share capital with a maximum of NOK 6,200,000 by issue of up to 24,800,000 new shares, each at a nominal value of NOK 0.25 by the AGM in 2015. The authorization has not been utilized.

- Increase the share capital for the use in the company's incentive program. The Board was granted authority to increase the share capital by a maximum of NOK 3,000,000 by issue of up to 12,000,000 new shares, each at a nominal value of NOK 0.25. In 2015, 666,667 new shares were issued to cover exercise of share options in the company's incentive program.

The authorizations are valid until the next Annual General Meeting or 30 June 2016, at the latest.

EQUAL TREATMENTS OF SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Bionor has only one class of shares and all shares have equal rights. Each share carries one vote.

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 or companies where Bionor has significant interests.

There have been no major transactions with related parties in 2015.

FREELY NEGOTIABLE SHARES

The shares in Bionor are freely negotiable. No restrictions are included in the company's Articles of Association on transferability or with regards to voting rights.

GENERAL MEETING

The company's highest decision-making body is the General Meeting of shareholders. The company encourages shareholders to participate in the General Meetings. The General Meeting has amongst other the authority to elect representatives to the Board, appoint the company's Nomination Committee, amend the Articles of Association and resolve changes to the share capital.

The notice of General Meeting will be sent out and is available on the company's website no later than 21 days before the date of the General Meeting. Supporting information for the General Meeting, including the recommendations and nominations of the Nomination Committee, will be available from the company's website not later than 21 days before the General Meeting. Shareholders, who would like to receive the supporting information by regular mail, can free of any charges order paper copies from the company.

The deadline for shareholders to give notice of their intention to attend the General Meeting is set as close to the date of the meeting as possible, and no earlier than five days before the meeting. Shareholders who are unable to attend the meeting in person may vote by proxy or give open proxies to the Chairman of the Board or such other person appointed by the shareholder. The notice of the General Meeting includes proxy forms and thorough attendance and proxy instructions.

The shareholders will have the possibility to vote individually for each proposed member of the company's Board and Nomination Committee.

General Meetings will be opened by the Chairman of the Board, or another person appointed by the Chairman. Other Directors of the Board, the Chairman of the Nomination Committee, the auditor and the CEO shall also, as far as possible, attend the General Meeting.

The notice and the minutes of the General Meeting are made available shortly after the General Meeting on Bionor's website www.bionorpharma.com and on the Oslo Børs information system www.newsweb.no.

NOMINATION COMMITTEE

The Nomination Committee shall make recommendations to the General Meeting for candidates for the Board of Directors and the Nomination Committee in addition to recommendations for the remuneration of the Board and the Nomination Committee.

The recommendations should provide 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 memberships. The company has not established specific routines for obtaining shareholder proposal for candidates to the Board but the views of shareholders will be considered. The Nomination Committee aims to make the recommendation available on the company's web site no later than 21 days before the date of the Annual General Meeting.

The Nomination Committee consists of three members. The Chairman of the committee is elected for one year, and the committee members are elected for two years on a staggered basis. Lars H. Høie, Birger Sørensen and Stig Myrseth were elected to the Nomination Committee at the Annual General Meeting in May 2015. Instructions for the Nomination Committee were approved at the ordinary General Meeting in 2012 and are available on the company's web site.

BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

Bionor is focused on ensuring that the Board can operate independently and attend the common interests of all shareholders. The Board shall satisfy the company's need for an experienced and diversified Board with the proper capacity to carry out its duties. The company's Board of Directors is independent from the company's Executive Management.

The Board of Directors shall according to the Articles of Association consist of three to eight board members. The term of office for each board member is two years unless the shareholders resolve a deviating term. The Chairman of the Board is elected by the General Meeting while the Deputy Chairman of the Board is appointed by the Board itself.

Bionor is not aware of the existence of any agreements or business partnerships between the Group and any third parties in which its Directors have direct or indirect interests. The current composition of the Board and the Directors are presented on page 32-33 in the annual report. The General Meeting in 2015 resolved to issue shares to the board members. A total of 316,935 shares with par value NOK 0.25 were accordingly issued to the board members in 2015.

Board members are encouraged to own shares in the company, but are not part of the company's share incentive program. Shareholdings by board members are presented in the notes to the consolidated financial statements (see page 53).

WORK OF THE BOARDS OF DIRECTORS

Work of the Board

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 operations are organized in a proper manner and following up with Executive Management regarding the company's strategic and financial development, to ensure the long term interests of shareholders and HIV-positive individuals.

The Board has adopted instructions, which regulate areas of responsibility, tasks, and the division of roles between the Board, its Chairman and the CEO. These instructions also contain rules governing Board schedules, notice and chairing of board meetings, decision-making, the CEO's right and duty to disclose information to the Board, professional confidentiality, impartiality and so forth.

The Board of Directors has elected a deputy chairman in order to secure the chairing of the Board in the event that the Chairman cannot or should not lead the work of the Board.

The Board annually evaluates its performance and expertise, and

the results of the evaluations are made available to the Nomination Committee.

In 2015, there were eight scheduled board meetings. Additional ad hoc meetings were called in connection with the company's extensive funding activities during the second half of 2015 and changes in Executive Management. A total of 19 physical meetings and formal Board calls were conducted during 2015. The attendance in 2015 for each of the board members following the Annual General meeting in May 2015 were:

Chairman Russell G. Greig	100 %
Deputy Chairman Øystein Soug	100 %
Benedicte Fossum	95 %
Bernd R. Seizinger	92 %
Jerome B. Zeldis	95 %
Kirsten Drejer	92 %
Marianne Kock	89 %
Thomas Hofstaetter	92 %

Board committees
The Board has appointed an Audit Committee and a Remuneration Committee, and has adopted instructions for both these bodies. The Remuneration Committee consists of three board members and is appointed by the Board to assist in fulfilling its responsibilities concerning the Executive Management's compensation and benefits, including those of the CEO. In the period May 2015 to December 2015, the Compensation Committee was chaired by Benedicte Fossum, the other members were Øystein Soug and Thomas Hofstaetter.

The Audit Committee consists of three board members. At least one has expert knowledge within accounting or auditing. The Audit Committee is a preparatory body, which supports the Board in fulfilling its responsibilities concerning Bionor's financial reporting, auditing, and control. The Audit Committee shall recommend to the Board and the General Meeting the appointment and compensation of the company's independent auditors. There are five scheduled audit committee meetings per year of which four meetings are related to the preparation of interim financial statements and one meeting for preparation of the annual report. In the period May 2015 to December 2015, the Audit Committee was chaired by Øystein Soug, the other members were Russell G. Greig and Bernd R. Seizinger.

The Board decided to establish an ad hoc Financial Committee in 2015 to evaluate the funding needs of the company. The Financial Committee comprised Russell G. Greig, Øystein Soug and Thomas Hofstaetter.

REMUNERATION OF THE BOARD OF DIRECTORS

Bionor's General Meeting determines the Board's remuneration on the basis of recommendations from the Nomination Committee. Remuneration should be reasonable and based on the Board's responsibilities, work, time invested, and the complexity of the enterprise. The remuneration is considered to be consistent with the level for comparable companies. The remuneration is a fixed annual amount. In connection with the changes to the Board by the AGM in 2015 it was decided to offer each board member to subscribe new shares valued at NOK 100,000 and NOK 200,000 for the Chairman at a subscription price equaling par value (NOK 0.25) as part of the remuneration for the next year. The company encourages the board members to own shares in the company.

Board members may on an ad hoc basis perform special assignments for the company in addition to their directorships, if viewed to be in the best interest of the company and the shareholders. Such assignments are subject to a resolution by the Board and disclosed in this report under note 19, Related party transactions (see page 56). Information on remuneration of the Board of Directors in 2015 is presented in note 20 to the consolidated financial statements. In 2015, no board member performed special assignments for the company.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Group has established guidelines for 2015 for the remuneration of its Executive Management approved by the AGM 13 May 2015. The main principles are presented in note 20 to the consolidated financial statements, which also provides details of remuneration paid to individual members of the Executive Management in 2015. The amended guidelines for 2016 will be presented and resolved separately at the Annual General Meeting in 2016. The company's current compensation scheme is divided into three parts and comprises a fixed salary, a performance-related bonus (capped based on fixed salary), and a share option scheme.

RISK MANAGEMENT AND INTERNAL CONTROL

Bionor's Board of Directors is responsible for ensuring that the company's risk management and internal control systems are adequate in relation to the regulations governing the business. The company's systems and procedures for risk management and internal control are intended to ensure efficient operations, timely and correct financial reporting, as well as compliance with the legislation and regulations to which the company is subject. The Board will annually review the company's main risk and control procedures. The Board reviews through the Audit Committee the company's internal control of the financial reporting.

The inherent risk to the business is failure to develop a vaccine candidate. Bionor is still in early stages of clinical development and pharmaceutical product development is subject to a number of risks. Results seen in early stages of development might not reproduce in later stages. See page 21 of this annual report for the main risks identified by the Board's annual review of the company's risk exposures.

Information and communication
The company has established guidelines for investor relations and reporting of financial information. Communication is based on transparency and equal treatment of all shareholders. The

main objective with the company's investor relations is to ensure that the financial markets and all shareholders have access to sufficient information about the company to facilitate a pricing of the company's share that reflects the underlying value of the company. Share price sensitive information shall be accurate, relevant and correct, and the company shall ensure that such information is distributed to all shareholders in a timely manner.

The company complies with current rules and market practices, including the requirement for equal treatment. All stock exchange announcements and press releases are made available on the company's website at www.bionorpharma.com. Stock exchange announcements are also available at www.newsweb.no. The company will arrange open investor webcasts or presentations in connection with its annual and quarterly reporting, and other major company events. Presentations and webcasts to investors in connection with the annual and quarterly reports will be made available on the company's website. Important events affecting the company will be reported immediately.

The company's financial calendar can be found on page 29 of this annual report and on www.bionorpharma.com.

Take-overs

The company is dedicated to treating all shareholders equally and to protecting the interests of all shareholders in the event of take-over bids or restructuring. In the case of a take-over the company will comply with relevant legislation. The Board's responsibility in case of a take-over is to ensure the equal treatment of shareholders and ensure that there are no unnecessary interruptions to the company's operations. The Board will further ensure timely communication to all shareholders and the market regarding the bid and any discussions with the bidder. The Board will not seek to prevent or obstruct a take-over bid, thereunder but not limited to issuance of shares under authorizations granted by the General Meeting, unless special circumstances occur and such prevention is in the best interest of shareholders. If a take-over bid is received, the Board will seek third party evaluation of the bid and timely communicate its view of such bid to the shareholders.

The Board will provide its statement regarding the bid and the views of the board members on a timely basis and otherwise in compliance with legal requirements.

Auditor

The auditor is appointed by the General Meeting and is independent of Bionor Pharma ASA, its Board of Directors and its Executive Management. The auditor shall annually in writing confirm to the Board that he/she satisfies established requirements for independence and objectivity. In addition, the Audit Committee also monitors the independence of the auditor.

The auditor participates in at least one board meeting and one meeting with the Audit Committee per year. The auditor will present an annual plan to the Board for the implementation of audit work. The auditor has a minimum of one meeting per year with the Board without the presence of the Executive Management. Other audit related services rendered by auditor to the Group is very limited and the Board has not found it necessary to establish separate guidelines for use of such services. Whenever necessary, the Board will meet with the auditor to consider the auditor's views on the Group's accounting principles, risk areas, internal control routines and so forth.

Auditor's fees, presented in note 20 to the consolidated financial statements are stated for the relevant categories of auditing and other services. The auditor's fee is decided by the company's General Meeting.

Oslo, 31 March 2016
The Board of Directors of Bionor Pharma ASA

Per S. Thoresen, Chairman

Lars H. Høie

Benedicte Fossum

Tomas Hofstaetter

Kirsten Drejer, Director

Jerome B. Zeldis

Ingrid Leisner

David Horn Solomon, CEO

SHAREHOLDER INFORMATION

Bionor puts emphasis on maintaining an open dialogue with its shareholders and providing timely and accurate share price relevant information to the market and to treat all shareholders equally

Bionor Pharma ASA is listed on Oslo Børs. The shares are included on the main list under the ticker code BIONOR and are registered in the Norwegian Central Securities Depository (VPS).

Bionor's goal is to create value for HIV-positive individuals and shareholders through the development of vaccines for viral diseases, primarily HIV. Drug development and vaccine development in particular is demanding and high risk, and must have a long term focus. Subscription for news about Bionor can be made at www.bionorpharma.com.

SHARE AND SHARE CAPITAL

The share was traded on all trading days in 2015, with an average of 251 public trades and 1,615,548 shares traded per day. The highest recorded price for the Bionor Pharma ASA share during 2015 was NOK 3.04, while the lowest price was NOK 1.00. The closing price at 30 December 2015 was NOK 1.61. The trading of the Bionor Pharma ASA share on Oslo Børs amounted in 2015 to 163% of the company's average outstanding shares in 2015.

The share price decreased by 32% per cent in 2015, while Oslo Børs' benchmark Index OSEBX increased by 4%. The share is included in the OSE35 health care index.

OWNERSHIP STRUCTURE AS OF 31 DECEMBER 2015

Shareholder	Ordinary shares	Ownership
Lars Henrik Høie	60,000,000	24.1%
Arctic Funds PLC	7,266,718	2.9%
Trond Syvertsen	4,000,000	1.6%
Franoco AS	3,320,000	1.3%
Statoil Pensjon	3,082,398	1.2%
Delphi Norge	2,500,000	1.0%
Nordnet Livsforsikring	2,326,891	0.9%
Mathias Holding AS	2,216,867	0.9%
Eika Norge	2,085,039	0.8%
Peter Thomas Smedvig	2,000,000	0.8%
Torstein Ingvald Tvenge	2,000,000	0.8%
Kalda AS	1,999,103	0.8%
Netfonds Livsforsikring	1,876,717	0.8%
Euroclear Bank S.A.	1,870,528	0.8%
Oust Holding AS	1,600,000	0.6%
Nordang Geoholding AS	1,500,000	0.6%
Monsunen AS	1,500,000	0.6%
Jarah Invest AS	1,500,000	0.6%
Julie Advocaat Lund	1,440,306	0.6%
Zico AS	1,400,000	0.6%
Top 20 shareholders	105,484,567	42.3%
Total other shareholders	143,825,383	57.7%
Total number of shares	249,309,950	100%

Bionor had 249,309,950 outstanding ordinary shares with a nominal value of NOK 0.25 each at 31 December 2015. All shares have equal status and only one shareholder class.

SHAREHOLDERS

Bionor Pharma ASA had 4,777 shareholders at year end. The principal shareholder of Bionor is Lars H. Høie, co-founder of Nutri Pharma ASA (Bionor is the result of the business combination between Bionor Immuno AS and Nutri Pharma ASA in 2010). Weekly updated overview of the 20 largest shareholder accounts in Bionor's share registry is available on www.bionorpharma.com.

SHARE OPTIONS SCHEME

The company has a share option program to facilitate alignment of the company's long term performance with shareholder values and interests. The stock option program includes Executive Management, key personnel and consultants. As per year end, the total number of share options outstanding to current and previous management, employees and consultant amounted to 8,473,333 share options of which 3,310,003 were fully vested. For more information please see note 5 on page 44.

LISTING ON OSLO BØRS

Bionor Pharma ASA is the result of a 2010 acquisition of the vaccine developer Bionor Immuno AS by the nutraceutical company Nutri Pharma ASA (which was listed on Oslo Børs since 2000 and later changed its name to Bionor Pharma ASA).

ANNUAL GENERAL MEETING

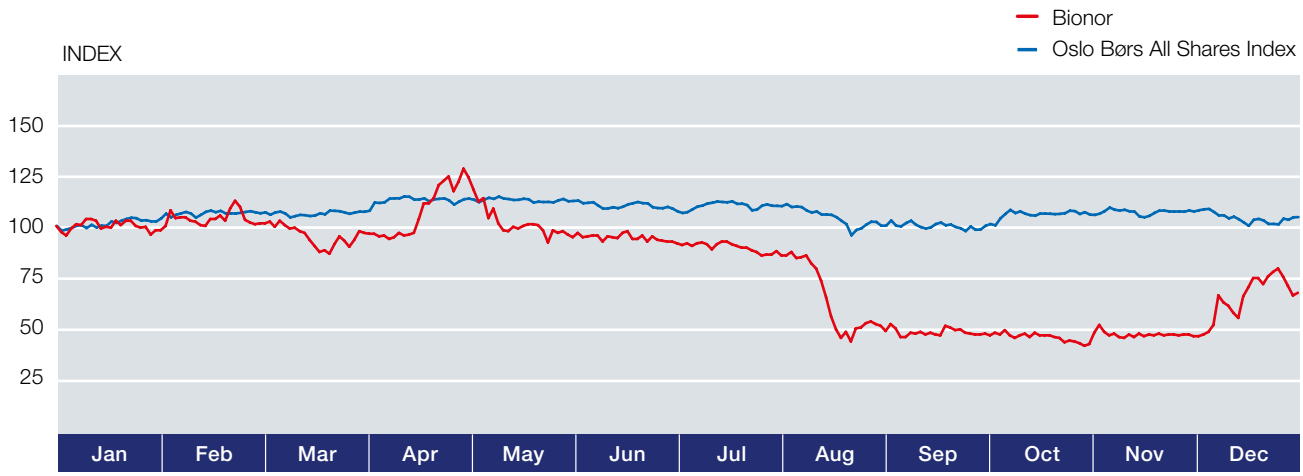
Annual General Meetings are normally held in April or May. Written notice will be sent to the shareholders individually or to the shareholder's nominee. The notice will also be made available on the company's web site. To vote at the General Meetings, shareholders must be present and vote in person or by proxy.

FINANCIAL CALENDAR 2016

31	March 2016	Annual Report 2015
22	April 2016	Annual General Meeting
11	May 2016	Q1 2016 Interim Financial Report
23	August 2016	Q2 2016 Interim Financial Report
16	November 2016	Q3 2016 Interim Financial Report

The dates may be subject to change.

SHARE PRICE DEVELOPMENT 2015



EXECUTIVE MANAGEMENT

BARBARA RUSKIN

Senior Vice President, General Counsel and Chief Patent Officer

Barbara Ruskin, Ph.D., J.D., joined Bionor in April 2015. Dr. Ruskin has acted for over two decades advising diverse clients in the biotechnology and pharmaceutical industries. She has broad expertise in worldwide patent portfolio management, litigation strategies, corporate transactions and due diligence on behalf of companies and investors. Since May 2012, Dr. Ruskin has been President of BA Ruskin Law consulting firm. Prior to that, from January 2005 she was a partner in the Corporate Group of the law firm Ropes & Gray and trained at the law firm of Fish & Neave as a patent agent and associate after leaving academic science in 1993. She holds a J.D. from Fordham University School of Law (New York, NY), a Ph.D. in Biochemistry and Molecular Biology from Harvard University (Cambridge, MA) and a B.A. in Biochemistry from the University of California, Berkeley (Berkeley, CA). She is admitted to practice law in New York State and is a registered US patent attorney.

DAVID HORN SOLOMON

President and Chief Executive Officer

David Horn Solomon joined Bionor in January 2015. Dr. Solomon has extensive experience as a CEO in listed biotech companies, healthcare investing and pharmacology research. Prior to joining Bionor Dr. Solomon was CEO of Zealand Pharma A/S (Nasdaq CO: ZEAL) from 2008 until 2015. Dr. Solomon studied medicine and immunology at Cornell Medical College and the Sloan Kettering Cancer Center in New York where he received his doctorate in 1991. Dr. Solomon has served as a faculty member at Columbia University's College of Physicians and Surgeons. From 2003 to 2006 he headed healthcare investing at Carrot Capital Healthcare Ventures in New York. Dr. Solomon has held leadership positions at several biotechnology, pharmaceutical and medical device companies, including Remedy Pharmaceuticals, Critical Diagnostics and Vital Sensors. He is currently on the boards of Onxeo in Paris (NYSE-Euronext and NASDAQ OMX), TxCell in Nice, France (NYSE-Euronext) and privately held Promosome, in La Jolla, CA.

KAMILLA ROLSTED
Senior Vice President and Chief Strategy and Business Officer

Kamilla Rolsted joined Bionor in April 2015. Dr. Rolsted has more than 15 years of experience from academia and the pharmaceutical industry, and has held various scientific and managerial positions amongst others at LEO Pharma and Astion Pharma. Most recently she was a member of the senior management team at Zealand Pharma A/S (Nasdaq CO: ZEAL), where she was instrumental in defining and formulating the corporate strategy as well as in negotiating numerous agreements. Dr. Rolsted is a certified pharmacist, holds a Ph.D. in drug metabolism from the University of Copenhagen and an executive MBA from Copenhagen Business School.

SØREN KELLER
Senior Vice President and Chief Operating Officer

Søren Keller joined Bionor in March 2015. Mr. Keller has extensive experience as head of operations in both public and private research intensive organizations. Prior to joining Bionor, Mr. Keller served as director and general counsel to the management of the publicly traded biotech company Zealand Pharma A/S (Nasdaq CO: ZEAL). Mr. Keller received his master of Business Administration and Commercial Law from Copenhagen Business School (CBS) and continues to serve as a part-time lecturer at CBS. For a number of years, prior to joining Zealand Phama A/S, Mr. Keller was employed in different executive positions at the Technical University of Denmark, ultimately in the role as COO at the Institute of Mechanical Engineering. In addition Mr. Keller, in 2004, started his own online business, facilitating academic exchange, and served as COO until the company was divested to an industry leader.

JENS KRØIS
Senior Vice President and Chief Financial Officer

Jens Krøis joined Bionor in May 2015 with more than 20 years' financial management experience across the Nordic regions and internationally. Mr. Krøis has a strong track record of developing and implementing global financial infrastructures, KPIs and reporting systems as well as integrating new business units. For more than 10 years, he has held high level executive positions in publicly listed companies such as Vice President at Ambu A/S, a leading Danish medtech company, and divisional CFO, General Manager and Group Chief Accountant at FLSmidth, a leading supplier of equipment and services to the global cement and minerals industries. Prior to this, Mr. Krøis has been CFO of Connection A/S and an auditor at KPMG in Copenhagen. He received his Master in audit at the Copenhagen Business School and holds a GMP from INSEAD in France.

BOARD OF DIRECTORS

PER S. THORESEN

Chairman
Independent

Per S. Thoresen (born 1953) has been a member of the Board since March 2016. Mr. Thoresen is an experienced leader with 25 years in the pharmaceutical industry. For 10 years, Mr. Thoresen was Managing Director of Nycomed Pharma AS / Takeda Nycomed AS and previously, he was VP Human Resources in AstraZeneca. Per S. Thoresen holds the position as Chairman of Asker Produkt AS and is a board member of Maskinpakking AS. He is also the co-founder and Chairman of the CDMO (contract development and manufacturing organization) Curida AS. Mr. Thoresen holds a Master of Law from University of Oslo.

LARS H. HØIE

Board member
Not independent

Lars H. Høie (born 1957) has been a member of the Board since March 2016. Dr. Høie was also Chairman of the Board in the period 2011-2015. Dr. Høie is not considered independent as he currently owns 22.4 % of Bionor's share capital. Dr. Høie has lived 30 years outside Norway in various European countries spear-heading different development-stage projects. He invented Nutrilett® and co-founded Nutri Pharma in 1993 (today Bionor). Dr. Høie has been the author of several published papers in internationally recognized medical and nutritional journals. Dr. Høie holds a MD with a PhD in protein and lipid research.

JEROME B. ZELDIS

Board member
Independent

Jerome B. Zeldis (born 1950) has been a member of the Board since 2012. He was reelected in March 2016. Dr. Zeldis, is CEO of Celgene Global Health and Chief Medical Officer of Celgene Corp. Prior to joining Celgene, Dr. Zeldis held various positions with Sandoz Research Institute and the Janssen Research Institute. Prior to joining the pharmaceutical industry Dr. Zeldis spent over twelve years on various academic faculties performing basic and clinical research, teaching and practicing medicine at Massachusetts General Hospital, Boston Beth Israel Hospital, Harvard Medical School and University of California at Davis. Dr. Zeldis holds a BA and an M Sc. in Molecular Biology from Brown University and a M. Phil, a MD and a PhD in Molecular Biophysics and Biochemistry from Yale University.

BENEDICTE FOSSUM

Board member
Independent

Benedicte Fossum (born 1962) has been a member of the Board since 2012. She was reelected in March 2016. Ms. Fossum holds several directorships in private and public companies including Probi AB, Patogen AS and Smartfish AS. Ms. Fossum is one of the founders of Pharmaq AS. Until January 2010, Ms. Fossum held the position as Director of Strategic Development, Legal Affairs and M&A in Pharmaq AS. Ms. Fossum has held various positions in Alpharma Inc. and the Norwegian Medicines Agency (Statens Legemiddelverk). Ms. Fossum holds a B.Sc. Veterinary Medicine from Norges Veterinærhøgskole.

KIRSTEN DREJER

Board member
Independent

Kirsten Drejer (born 1956) has been a member of the Board since 2015. She was reelected in March 2016. Mrs. Drejer co-founded Symphogen A/S in 2000 and serves as its Chief Executive Officer. She is also a member of the Board of Directors for Symphogen. Dr. Drejer has 30 years of experience in the pharmaceutical and biotech industry. Before joining Symphogen she held scientific and managerial positions in Novo Nordisk A/S as Corporate Facilitator, Director of Diabetes Discovery and Head of Diabetes Pharmacology. Dr. Drejer is a board member of Vækstfonden (The Fund for Industrial Growth). Dr. Drejer holds a DISPUK diploma in Leadership & Organizational Development.

THOMAS HOFSTAETTER

Board member
Independent

Thomas Hofstaetter (born 1948) has been a member of the Board since 2015. He was reelected in March 2016. Dr. Hofstaetter has served as a director of Onxeo since 2012 and Geron Corporation from 2010-2015. From 2010 to 2011, he was President and CEO and a director of VaxInnate Corporation. From 2004 to 2009, Dr. Hofstaetter was Senior Vice President, Corporate Development and Head of Global Business Development and a member of the Wyeth Management Committee at Wyeth, Inc. From 1999 to 2004, he was Senior Vice President of Corporate Development at Aventis. From 1991 to 1999, Dr. Hofstaetter served in executive positions in e.g. the United States, Japan, France and Germany. Dr. Hofstaetter holds a Master of Science degree in Biochemistry and a Ph.D. in Molecular Biology, from the University of Tübingen, Germany

INGRID LEISNER

Board member
Independent

Ingrid Leisner (born 1968) has been a member of the Board since March 2016. Mrs. Leisner currently serves as a Board member of Birdstep ASA, Vistin Pharma ASA, Aurora LPG Holding ASA, Fortuna Mare AS and Spectrum ASA. She is also Head of the audit committee at Aurora LPG Holding ASA and an audit committee member at Spectrum ASA. Mrs. Leisner has a background as a trader of different oil and gas products in her 15 years in Statoil ASA, including as the Head of Portfolio Management for Electric Power at Statoil Norge AS from 2005 to 2007. She holds a BBA in Finance (siviløkonom) with honors from the University of Texas at Austin.

CONSOLIDATED FINANCIAL STATEMENTS 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

Amounts in NOK thousands	Note	2015	2014
Revenues	4	85	1,766
Cost of goods sold		-	(1,222)
Employee Benefit Expenses	5, 20	(26,465)	(13,781)
Depreciation and amortisation	10, 11	(11,287)	(11,175)
External R&D costs	6	(23,143)	(30,236)
Other operating expenses	6, 20	(36,643)	(14,827)
Total operating expenses		(97,538)	(71,242)
Operating loss		(97,453)	(69,476)
Finance income	7	2,143	2,135
Finance costs	7	(1,416)	(714)
Net financial items		728	1,421
Loss before tax		(96,726)	(68,054)
Income tax expense	8	-	-
Loss after tax		(96,726)	(68,054)
Net loss		(96,726)	(68,054)
Other comprehensive income			
Items that may be reclassified subsequently through profit or loss			
Exchange differences arising on translation of foreign operations		(51)	-
Total other comprehensive income		(51)	-
Total comprehensive income for the year		(96,777)	(68,054)
Earnings (loss) per share (NOK) basic and diluted	9	(0.39)	(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

Amounts in NOK thousands	Note	2015	2014
ASSETS			
Non-current assets			
Goodwill	10	8,715	8,715
Intangible assets	10	47,894	58,670
Property, plant and equipment	11	3,634	2,311
Other long term receivables		3,880	971
Total non-current assets		64,122	70,666
Current assets			
Accounts receivables	12, 15, 16	18	1,383
Other short term receivables	12, 15, 16	22,710	22,297
Cash and cash equivalents	13, 16	10,571	93,096
Total current assets		33,300	116,776
Total assets		97,422	187,443
EQUITY AND LIABILITIES			
Equity			
Share capital	14	62,328	62,082
Share premium		266,350	265,183
Other paid-in equity		5,539	4,409
Retained earnings		(268,008)	(171,232)
Total equity		66,209	160,441
Liabilities			
Current liabilities			
Accounts payables	15, 16	4,921	3,631
Public duties payable	15, 16	12,477	10,446
Other current liabilities	15, 16	12,259	11,416
Provisions	15, 16, 18	1,557	1,509
Total current liabilities		31,213	27,002
Total liabilities		31,213	27,002
Total equity and liabilities		97,422	187,443

Oslo, 31 March 2016
The Board of Directors of Bionor Pharma ASA

Per S. Thoresen, Chairman

Lars H. Høie

Benedicte Fossum

Tomas Hofstaetter

Kirsten Drejer, Director

Jerome B. Zeldis

Ingrid Leisner

David Horn Solomon, CEO

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

Amounts in NOK thousands	Note	2015	2014
OPERATING ACTIVITIES			
Profit (loss) before tax		(96,726)	(68,054)
Depreciation and amortisation	10, 11	11,287	11,175
Share-based payments	5	964	(1,894)
Change in accounts receivables		1,364	(1,150)
Change in accounts payables		1,290	(880)
Change in other assets and liabilities		(248)	(3,665)
Net cash from operating activities		**(82,068)**	**(64,467)**
INVESTING ACTIVITIES			
Payments of property, plant and equipment	11	(1,869)	-
Net cash flows (used in)/from investing activities		**(1,869)**	**-**
FINANCING ACTIVITIES			
Proceeds from issue of share capital	14	79	50,057
Loan instalments		1,333	-
Net cash flows (used in)/from financing activities		**1,413**	**50,057**
Cash and cash equivalents at beginning of period		**93,096**	**107,506**
Net increase/(decrease) in cash and cash equivalents		(82,525)	(14,410)
Effect of currency translation of cash and cash equivalents		-	-
Cash and cash equivalents at period end		**(10,571)**	**93,096**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

Amounts in NOK thousands	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2015		**62,082**	**265,183**	**4,408**	**(171,233)**	**160,441**
Share-based payment	5	-	-	1,131	-	1,131
Total net loss for the year		-	-	-	(96,726)	(96,726)
Total other comprehensive income for the year		-	-	-	(51)	(51)
Issue of share capital	14	79	-	-	-	79
Transaction cost issue of share capital	14	-	-	-	-	-
Exercise of options and warrants		167	1,167	-	-	1,333
Equity at 31 December 2015		**62,328**	**266,350**	**5,539**	**(268,009)**	**66,208**
Equity at 1 January 2014		**56,457**	**220,751**	**5,973**	**(103,178)**	**180,003**
Share-based payment	5	-	-	(1,565)	-	(1,565)
Total net loss for the year		-	-	-	(68,054)	(68,054)
Total other comprehensive income for the year		-	-	-	-	-
Issue of share capital	14	5,625	47,250	-	-	52,875
Transaction cost issue of share capital	14	-	(2,818)	-	-	(2,818)
Exercise of options and warrants		-	-	-	-	-
Equity at 31 December 2014		**62,082**	**265,183**	**4,409**	**(171,232)**	**160,441**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BASIS FOR PREPARATION

Bionor Pharma ASA (the company) is incorporated and domiciled in Norway. Bionor Pharma ASA is listed on Oslo Stock Exchange, shares are traded under the ticker (OSE:BIONOR). The address of the registered office is Kronprinsesse Märthas Plass 1, 0160 Oslo, Norway. The Bionor Pharma Group consists of Bionor Pharma ASA and four wholly owned subsidiaries; Bionor Pharma ApS, Bionor Immuno AS, Bionor Immuno Inc and Nutri Pharma AS.

The company was incorporated 2 January 1993 and became a public company under the name Nutri Pharma ASA in 2000 and changed its name to Bionor Pharma ASA following the acquisition of the vaccine development company Bionor Immuno AS in 2010. The main focus of Bionor Pharma is development of vaccines for viral diseases.

The financial statements for 2015 were approved by the Board of Directors 31 March 2016. The financial statements presented cover the results of the Group for the financial year 2015 with comparative information for the financial year 2014. The consolidated financial statements are presented in Norwegian kroner (NOK).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation

The consolidated financial statements for 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the International Accounting Standards Board (IASB) and approved by the EU.

The financial statements have been prepared under the historical cost basis except for the revaluation to fair value of derivative financial instruments. The financial statements are presented in NOK and all values are rounded to the nearest thousand except where otherwise indicated. The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Group during the current financial year. These have had no impact on the amounts reported in the financial statements.

2.2 Functional and presentation currency and foreign currency translation

The consolidated financial statements are presented in Norwegian kroner (NOK), which is also the functional currency of the parent company and of the main subsidiary Bionor Immuno AS.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the exchange rates prevailing at the dates of the transactions. Gains and losses on transactions and assets and liabilities denominated in other currencies than the functional currency are recognised in the income statement in the period in which they arise 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 are translated at the closing rate at the reporting date. The exchange differences arising from translation for the consolidation are recognized as other comprehensive income.

2.3 Consolidation principles

The statement of financial position for the Group as of 31 December 2015 consists of Bionor Pharma ASA and its subsidiaries. A subsidiary is consolidated as of the date at which control is acquired. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights result in control. All subsidiaries in the Group are wholly controlled by the Group. See note 17 for information on the consolidated companies.

The consolidated financial statements have been prepared in accordance with uniform accounting principles for similar transactions for the companies included in the consolidated accounts, and are prepared based on the same accounting period as used for the parent company.

All balances and transactions between consolidated companies are fully eliminated when preparing the consolidated financial accounts.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognised at fair value and the difference between the consideration and the carrying amount of the non-controlling interests is recognised at the equity attributable to the parent.

In cases where changes in ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets (including goodwill) and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognized at the date when the control is lost. The fair value of the consideration received is recognised and any investment retained is recognised at fair value. Gain or loss is recognised in profit and loss at the date when the control is lost.

2.4 Important use of accounting estimates

In the application of the Group's accounting policies Executive Management makes judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events, which are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The evaluations and estimates deemed to be of greatest significance to the Group are as follows:

Amortisation and impairment of intangible assets

Intangible assets are significant items in the statement of financial position of the Group. The estimated useful life and the corresponding amortisation schedule is a matter of significant judgment for the Group. Estimated useful lives are subject to reassessment at the end of each reporting period and changes in estimates could have a significant impact on the financial results for the Group. The Group assesses impairment indicators of the intangible assets periodically. If such indicators exist the recoverable amount of the intangible assets is estimated.

The Group's intangible assets, Vacc-4x and the peptide technology platform, are tested for impairment if there is an indication that the estimates used in the valuations of the assets are no longer recoverable. There has been no indication of impairment in the period. Indicators of impairment could among others be significant challenges of the patent portfolio pertaining to the vaccine candidates, the introduction of improved competitive products or other events that will lead to a stop in the development of the company's vaccine candidates. If new estimates conclude that the values are not recoverable, impairment to the recoverable amount is recognized. Recoverable amount is the higher of value in use and fair value less costs to sell.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that there is indication 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. The company has a history of tax losses and therefore no tax assets are recognized, however based on the development of the product candidate this assumption might change and a significant deferred tax asset could be recognized. See also note 8 Tax.

2.5 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. 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.

2.5 Segments

Nutri Pharma ASA changed its name to Bionor Pharma ASA following the acquisition of the vaccine development company Bionor Immuno AS in 2010. The main focus of the Bionor Pharma Group is development of vaccines for viral diseases and is its only segment. The Group's focus is reflected in the Group's organization and management accounts. A separate management reporting has not been developed. The development of the different vaccines are organised under the same departments and under the same managers where the company's CEO is the decision maker.

Prior to the acquisition of Bionor Immuno AS, Nutri Pharma ASA's main business was sales of nutraceuticals. There are still some limited sales of nutraceuticals and for historical information the Group reports the sales of nutraceutical business in notes to its financial statements.

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 reporting 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. Assets are impaired if the 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 Intangible assets and goodwill

Separately acquired intangible assets

Intangible assets that have been acquired separately are carried at cost. The costs of intangible assets acquired through an acquisition are recognised at their fair value in the Group's opening reporting. Capitalised intangible assets are recognised at cost less any amortisation and impairment losses.

Intangible assets with a finite economic life are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development
Research expenditure is recognized as an expense when 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. Capitalized development costs are recognized as costs, less any accumulated amortization and impairment loss. Capitalized development costs that have finite useful life, are amortized on a straight-line basis over the expected useful economic life of the intangible asset from the commencement of the commercial production.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, the assets are reported at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortisation charges related to Vacc-4x and the peptide technology platform, all of which have finite useful lives and are amortized, are following a straight-line basis, which reflects the remaining period of the patents pertaining to the technology.

The Group assesses impairment indicators of the intangible assets periodically. If such indicators exist, the recoverable amount of intangible assets is estimated. An impairment loss exists when the recognized value of the intangible asset is higher than the recoverable amount. Recoverable amount is the higher of value in use and fair value less costs to sell.

Goodwill and business combinations
Goodwill arises from the acquisition of a subsidiary. Goodwill is the excess value between the acquisition price and the amount recognized as the net fair value of the identifiable assets and liabilities. 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 liabilities is lower than the acquisition consideration, the difference is recognized in the profit or loss. For each business combination, the Group elects whether to measure the non-controlling interests in the acquired company at fair value or at the proportionate share of the acquired company's identifiable net assets.

Goodwill is not amortized, but is tested at least annually for impairment. Goodwill has not been allocated since the company only has one cash generating unit (CGU). The recoverable amount is determined based on the fair value of the equity for the Group which is set by the stock market.

2.8 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 grant is recognized as a reduction of costs.

2.9 Financial assets and liabilities
Financial assets and liabilities are recognized in the following categories 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 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 is 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, which 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.

Impairment of financial assets
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.

2.10 Leasing
Classification of agreements is 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 have been transferred. Capitalised leases are classified as borrowings and are depreciated over their useful lives.

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

2.11 Cash and cash equivalents
Cash and cash equivalents include cash at hand and deposits with banks. Cash equivalents are short term highly liquid investments with original maturities of three months or less.

2.12 Equity
Treasury shares
When treasury shares are bought back, the purchase price, including directly attributable costs, are recognised as a deduction from equity. The cumulative gain or loss on sales of treasury shares is presented on a net basis in equity. Net accumulated losses on sales of treasury shares are recognised under other retained earnings, while net accumulated gains are recognised under other equity.

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.

2.13 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 reporting 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 reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither profit or loss

- In respect to taxable temporary differences from investments in foreign subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable the temporary differences will not reverse foreseeable 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognized deferred income tax assets are reassessed at each reporting 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 reporting 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.

2.14 Employee benefits and share-based payment
Defined contribution plan
The Group's pension plan is a defined contribution plan. The Group pays contributions to privately administered pension insurance plans on a mandatory basis in accordance with applicable national legislation. 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 payments
The parent company operates equity-settled share-based remuneration plans for its employees. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using Black Scholes model. The cost is 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 reporting 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.
When the terms of an equity-settled share-based remuneration plan are modified, the minimum expense recognized is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.15 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 reporting date.

2.16 Events after reporting date

New information on the Group's financial position at the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the Group's financial position on the end of the reporting period but which will affect the Group's financial position in the future are disclosed if significant.

2.17 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.

NOTE 3 ADOPTION OF NEW AND REVISED REPORTING STANDARDS AND INTERPRETATIONS

Standards and Interpretations adopted with no significant effect on the financial statements

The new and revised or amended standards adopted in the current period have not had an impact on the recognition and measurement of assets and liabilities or presentation and disclosures in the financial statements, but may affect the accounting for future transactions or arrangements.

Standards and interpretations issued but not yet adopted

A number of new standards, amendments and interpretations have been published by the IASB and endorsed by the EU with effect for annual periods beginning on or after 1 January 2016.

- **IFRS 9 Financial Instruments**
  IFRS 9 Financial Instruments will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project has been transferred into IFRS 9. IFRS 9 will be effective on 1 Januar 2018 subject to EU endorsement.

- **IFRS 15 Revenue from Contracts with Customers**
  The core principle of IFRS 15 is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contract and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). IFRS 15 will be effective on 1 Januar 2018 subject to EU endorsement.

- **IFRS 16 Leases**
  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 will be effective on 1 Januar 2019 subject to EU endorsement.

These new standards, amendments and interpretations are not expected to have a significant impact on the recognition and measurement of assets and liabilities or presentation and disclosures in the financial statements, but may affect the accounting for future transactions or arrangements.

NOTE 4 REVENUE

Amounts in NOK thousands	2015	2014
Nutraceutical products	-	1,636
Vaccines	-	-
Other	85	130
Total operating revenue	85	1,766

Sale of nutraceuticals by geography

	Norway		Europe and Russia	
Amounts in NOK thousands	2015	2014	2015	2014
Revenue by category				
Royalty	-	-	-	-
Product sales	-	-	-	1,636
Total operating revenue	-	-	-	1,636

Nutri Pharma ASA changed its name to Bionor Pharma ASA following the acquisition of the vaccine development company Bionor Immuno AS in 2010. The main focus of the Bionor Pharma Group is development of vaccines for viral diseases and is its only segment. Prior to the acquisition of Bionor Immuno AS Nutri Pharma ASA main business was sales of nutraceuticals. There was no sale of nutraceuticals in 2015 and some limited sales of nutraceuticals in 2014 (NOK 1.6 million).

The vaccine segment is still in a research and development phase. The company entered into an R&D agreement with Celgene Inc, one of the world's largest biotech companies, for the Vacc-4x + romidepsin trial. Positive results were reported end of Q4 2015. Celgene has covered their own cost by delivering their product free of charge. Other sales are related to sublease of offices and refund of other operating cost.

NOTE 5 EMPLOYEE BENEFIT EXPENSES AND SHARE OPTIONS

Employee benefit expenses

Amounts in NOK thousands	2015	2014
Wages and salaries	23,208	13,483
Payroll tax	1,049	1,099
Share-based payment *	1,131	(1,565)
Pension costs defined contribution plan	774	468
Other	304	296
Total	26,465	13,781

* Positive effects of share based payment are due to reversal of previous expensed cost related to share options. The Group reverses cost for forfeited options of previous employees. The reversal is without cash effect and only linked to the estimated fair value of the options.

Personnel in the Group are employed in the parent company as well as the Danish and US subsidiaries. with an average number of man-years through 2015 of 12 (10). The Group has a pension scheme for its employees in Norway and Denmark while the American employee is given a pension contribution equal to the level applicable for the Danish employees which is 10% of the base salary. The pension obligation is fully financed by premium payments.

As regards the Norwegian employees, the defined pension contribution scheme fulfills the requirements of the Norwegian occupational pension legislation (OTP).

Stock options

Bionor has a share option program to ensure the focus and align the company's long term performance with shareholder values and interest. The program also serves to retain and attract key management. Certain members of key management have been granted share options upon joining the company. Additional grants have been made to key personnel 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. Up until end 2014 share options vested over a three-year period and are usually vested according to the following plan; 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 seven years after the grant date. Certain older options do not follow the same principles.

From 2015 options vest with 1/4 on the first annual anniversary of grant and thereafter by 1/48 each month for the next 36 months and the new CEO was granted options on these terms at the time of his employment in 2015. As part of the incentive program leading employees

were granted 2,350,000 options in August 2015. All option contracts include regulation that in the case of termination of employment, the employee will not vest further share options beyond notice of termination (with certain provisions of accelerated partial vesting). 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 seeks a yearly authorization from shareholders at the Annual General Meeting to issue a maximum number of share options in total for all grants. Cap is approximately 5% of outstanding shares and options (fully diluted). As per 31 December 2015 current and previous management, employees and consultant were granted 8,473,333 share options of which 3,310,003 were fully vested as per 31 December 2015.

Overview granted stock options

	2015 Weighted average		2014 Weighted average	
	Number of options	Exercise price (in NOK)	Number of options	Exercise price (in NOK)
Outstanding on 1 January	5,810,000	2.20	7,980,000	2.23
Granted during the period	4,850,000	2.21	1,300,000	2.55
Forfeited during the period	1,520,000	2.40	3,470,000	2.39
Exercised during the period	666,667	2.00	-	-
Outstanding at 31 December	8,473,333	2.19	5,810,000	2.20
Exercisable at 31 December	3,309,997	2.10	4,186,663	2.07

Vesting period of outstanding options

	No of options	Average price (in NOK)
Options fully vested as per reporting date	3,309,997	2.10
2016 Q1	729,166	2.37
2016 Q2	386,250	2.57
2016 Q3	792,703	2.11
2016 Q4	303,111	2.09
2017 Q1	303,111	2.09
2017 Q2	386,446	2.14
2017 Q3	303,129	2.09
2017 Q4	303,129	2.09
2018 Q1	303,125	2.09
2018 Q2	303,132	2.09
2018 Q3	303,134	2.09
2018 Q4	303,128	2.09
2019 Q1	198,967	2.06
2019 Q2	146,883	2.05
2019 Q3	97,922	2.05
Options not vested	5,163,336	2.25
Total number of outstanding options	8,473,333	2.19

Stock options by exercise price

Exercise price (in NOK)	No of options
2.00	2,933,333
2.05	2,350,000
2.37	2,500,000
2.48	240,000
2.55	250,000
3.50	200,000
Total number of options	8,473,333

Amounts in NOK thousands	2015	2014
Total expensed cost for share-based payment	964	(1,894)
Total carrying amount for share options	5,589	4,458
Total intrinsic value of outstanding share options	-	1,192

If the employment is terminated all non-exercised options will be forfeited, with a few exceptions. The company's Board may at any time resolve to terminate the options against payment to the option holder of a NOK amount equaling the value of vested and unvested options calculated as the difference between the market value of the option shares at such time less the exercise price for such option shares.

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.

The expensed share-based compensation for the Group and Bionor Pharma ASA is NOK 1.1 million (2014: NOK -1.6 million). In addition a payroll tax of NOK -0.2 million (2014: NOK -0.3 million) is recognized based on the difference between the share price and exercise price on exercisable options per 31 December 2015.

Executive Management

Shareholder	Exercise price	No of options
David H. Solomon, President and Chief Executive Officer	2.37	2,500,000
Jens Krøis, SVP, Chief Financial Officer	-	-
Kamilla Rolsted, SVP, Chief Strategy and Business officer	2.05	500,000
Barbara Ruskin, SVP, General Counsel and Chief Patent Officer	2.05	500,000
Søren Keller, SVP, Chief Operating Officer	2.05	500,000

Bionor Pharma ASA has per 31 December 2015 8.5 million outstanding options. By the end of the accounting period 8.5 million options were granted. 0.7 million options have been exercised in this period. If the employment is terminated, all non-exercised options will be forfeited, with a few exceptions. There is also a claim that the company can buy back shares based on exercised options at termination of the employment.

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.

The expensed share-based compensation for the Group and Bionor Pharma ASA is NOK 1.1 million (2014: NOK -1.6 million). In addition a payroll tax of NOK -0.2 million (2014: NOK -0.3 million) is recognized based on the difference between the share price and exercise price on exercisable options per 31 December 2015.

NOTE 6 OTHER OPERATING EXPENSES BY NATURE AND GOVERNMENT GRANTS

Other operating expenses

Amounts in NOK thousands	2015	2014
Laboratory and preclinical R&D	2,018	4,008
Production cost	812	4,489
Clinical development expenses	34,590	37,852
Regulatory and Quality Assurance	51	949
Government grants	(14,328)	(17,061)
External R&D expenses	**23,143**	**30,236**
Administrative expenses	36,643	14,827
Total other operating expenses	**59,787**	**45,063**

Total R&D related expenses including government grants are NOK 23.1 million (2014: NOK 30.2 million). All R&D costs are expensed to the income statement as occurred.

Government grants

Amounts in NOK thousands	2015	2014
REDUC Phase I/II	7,231	6,986
Vacc-HIV program	1,557	3,023
BIOSKLL	-	-
Reboost Vacc-4x Phase II	-	2,652
Total GLOBVAC grants	**8,788**	**12,661**
SkatteFUNN	**5,541**	**4,400**
Total Government grants	**14,328**	**17,061**

Bionor Pharma has three ongoing projects that have been awarded grants from GLOBVAC in 2014 and 2015. The Vacc-HIV program was in 2013 granted NOK 7.7 million over four years. The REDUC Phase I/II was in 2014 granted NOK 16.8 million over three years. The Reboost Vacc-4x Phase II was in 2012 granted NOK 10.5 million over four years. The second part of the project has been postponed one year and hence not recorded any grants in 2015.

The company is granted 40% of annual forecasted project cost and can only account for 40% of project cost up to awarded amount each year. If cost is below awarded grant one year it cannot automatically be transferred to next year. The projects are supervised by written reports submitted from the company.

SkatteFUNN is originally a tax exemption program – if net loss, the "tax return" is transferred to grant In Bionor Pharma's case SkatteFUNN is awarding grants. To be eligible for "grants" from SkatteFUNN a project application needs to be submitted. The company is not awarded an annual grant, SkatteFUNN grant is awarded according to reported cost. Bionor Pharma has applied to SkatteFUNN for the same projects as RCN grants in addition to the new BIOSKILL clinical trial project. There is a strict limitation to which cost qualifies under SkatteFUNN. Grants are additional to grants from GLOBVAC, but limited by EU regulations of max. 60% of government grant per project.

Operational lease

Bionor Pharma ASA leases offices in Oslo, Copenhagen and New York and laboratories in Oslo. The contract for the head quarter in the city center of Oslo expires in Q3 2022 and the annual lease obligation is NOK 1.5 million. The contract for the office in the city center of Copenhagen expires in Q4 2017 and the annual lease obligation is NOK 0.5 million. The contract for the office in the city center of New York expires in Q1 2019 and the annual lease obligation is NOK 2.5 million. The lease agreement for the laboratories in Forskningsparken expires in Q3 2016 and the annual lease obligation is NOK 0.4 million. A new lease agreement for laboratories at Klosterøya in Skien has been entered from Q3 2016 and the annual lease obligation will be NOK 0.2 million.

The company's lease agreements are subject to annual price adjustments. See also note 16 regarding contractual off balance obligations.

NOTE 7 FINANCE INCOME AND EXPENSE

Amounts in NOK thousands	2015	2014
Finance income		
Other interest income	762	1,596
Net foreign exchange gain	1,382	540
Total finance income	2,143	2,135
Finance cost	-	(0)
Interest cost on borrowings	(1,243)	(673)
Net foreign exchange loss	(173)	(41)
Other interest expense	(1,416)	(714)
Total finance expense		
	728	1,422
Net financial items	728	1,422

NOTE 8 TAX

Amounts in NOK thousands	2015	2014
Tax expense/(income)		
Profit/(loss) before tax	(96,726)	(68,054)
Calculated tax expense/(income) (27%)	(26,116)	(18,375)
Reconciliation from nominal to effective tax rate		
Permanent differences	(170)	767
Permanent differences transaction costs charged to equity	-	(761)
Changes in deferred tax assets not recognized	13,265	18,369
Difference in tax rates foreign subsidiaries and foreign exchange differences	(530)	-
Change in tax rate Norway from 27% to 25%	13,551	-
Calculated tax expense	-	-
Effective tax rate	0%	0%
Specification of deferred tax – tax effect of temporary differences		
Deferred tax liability		
Gain and loss account	9,011	12,165
Total liabilities of deferred tax	9,011	12,165
Deferred tax receivables		
Tax effect of losses carried forward	157,893	151,891
Intangible assets	20,417	19,088
Fixed assets	90	135
Total deferred tax assets	178,400	171,114

Bionor Pharma 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 financial statements.

Based on a decision made by the Tax authorities in 2009 the company has to pay 30% penalty of the tax on the first NOK 89.7 million earned beyond loss carried forward. The penalty tax is estimated to be NOK 7.3 million. Due to uncertainty of the timing of a potential tax position, this penalty is not recognized.

Geographical distribution of deferred tax carried forward per 31 December 2015

Amounts in NOK thousands	Norway	Total
Total loss carried forward	631,572	631,572
Of which deferred tax asset has not been recognized	631,572	631,572
Tax losses on which deferred tax asset has been recognized	-	-

Geographical distribution of deferred tax carried forward per 31 December 2014

Amounts in NOK thousands	Norway	Total
Total loss carried forward	552,096	552,096
Of which deferred tax asset has not been recognized	552,096	552,096
Tax losses on which deferred tax asset has been recognized	-	-

NOTE 9 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” are included in the calculations. Potential share options are expected to be converted at the time of transfer. Adjustment of number of own shares is taken into consideration in the calculations below.

The company had 248,326,348 (incl. 1,625 own shares) at the beginning and 249,309,950 (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.

	2015	2014
Loss from continued operation (NOK thousand)	(96,726)	(68,054)
Average number of outstanding shares (exclusive own shares)	248,842,672	233,038,677
Ordinary result per share – basic/diluted – for continued operation	(0.39)	(0.29)

NOTE 10 INTANGIBLE ASSETS AND GOODWILL

Amounts in NOK thousands	Goodwill	HIV Vacc-4x	Technology platform	Total
Cost				
At 1 January 2014	8,715	82,120	28,201	119,036
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2014	8,715	82,120	28,201	119,036
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2015	**8,715**	**82,120**	**28,201**	**119,036**
Amortisation				
At 1 January 2014	-	(31,707)	(9,169)	(40,876)
Amortisation charge for the year	-	(8,212)	(2,564)	(10,776)
Disposals	-	-	-	-
At 31 December 2014	-	(39,919)	(11,733)	(51,652)
Amortisation charge for the year	-	(8,212)	(2,564)	(10,776)
Disposals	-	-	-	-
At 31 December 2015	**-**	**(48,131)**	**(14,297)**	**(62,428)**
Carrying value at 31 December 2014	8,715	42,201	16,468	67,384
Carrying value at 31 December 2015	**8,715**	**33,989**	**13,904**	**56,608**
Useful life		10 years	11 years	
Depreciation method		straight line	straight line	

18 February 2010 the subsidiary Bionor Immuno AS was purchased by Bionor Pharma ASA (formerly Nutri Pharma ASA) for an excess purchase price of NOK 119 million. Total excess purchase price was recognized as intangible assets, the purchase price allocation identified intangible assets of NOK 110.3 million apart from goodwill and the residual goodwill was NOK 8.7 million. Intangible assets and goodwill recorded pre acquisition was NOK 22.5 million and calculated equity purchase price was NOK 91.9 million.

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. The indications of impairment are significant challenges of the patent portfolio pretaining to the vaccine candidates, the introduction of improved competitive products or other events that will lead to a stop in the development of the company's vaccine candidates. If new estimates conclude that the values are not recoverable, impairment to the recoverable amount is recognized. Recoverable amount is the higher of value in use and fair value less costs to sell. 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 Vacc-4x patents from Bionor AS. There has been no indication of impairment in the period.

The Group's goodwill comes from Nutri Pharma ASA's acquisition of Bionor Immuno AS. Goodwill is not amortized, but is tested at least annually for impairment and more frequently if there are indications that amounts may be impaired. Goodwill has not been allocated since the company only has one cash generating unit (CGU). The recoverable amount is determined based on the fair value of the equity for the Group which is set by the stock market. The Group had 249.3 million shares outstanding with a share price at NOK 1.61 at year end. The fair value of the Group's equity is NOK 401.3 million which exceeds the booked value of equity of NOK 97.4 million. Consequently, no impairment charge has been made for the year ended 31 December 2015.

NOTE 11 PROPERTY PLANT AND EQUIPMENT

Amounts in NOK thousands	Office equipment	Laboratory equipment	Total
Cost			
At 1 January 2014	3,347	1,889	5,236
Additions	-	-	-
Disposals	-	-	-
At 31 December 2014	3,347	1,889	5,236
Additions	1,869	-	1,869
Disposals	-	-	-
At 31 December 2015	5,216	1,889	7,105
At 31 December 2015			
At 1 January 2014	(902)	(1,624)	(2,526)
Depreciation charge for the year	(313)	(86)	(399)
Disposals	-	-	-
At 31 December 2014	(1,215)	(1,710)	(2,925)
Depreciation charge for the year	(460)	(86)	(546)
Disposals	-	-	-
At 31 December 2015	(1,675)	(1,796)	(3,471)
Net carrying value at 31 December 2015	3,541	93	3,634
Net carrying value at 31 December 2014	2,132	179	2,311
Useful life	5 years	5 years	
Depreciation method	Linear	Linear	

Depreciations are separately recognized in the profit or loss.

NOTE 12 TRADE AND OTHER SHORT TERM RECEIVABLES

Amounts in NOK thousands	2015	2014
Accounts receivables	18	1,383
VAT	13,506	11,204
Prepaid costs	1,026	4,044
Goverment grants	8,179	7,049
Total	22,728	23,680

The trade receivables are none interest-bearing receivables. There are no overdue payments at period end.

Amounts in NOK thousands	2015	2014
Other long term receivables	3,880	971

NOTE 13 CASH AND CASH EQUIVALENTS

Amounts in NOK thousands	2015	2014
Cash and bank balances	10,571	93,096
Total cash and cash equivalents	**10,571**	**93,096**
Restricted funds for employees witholding tax	**601**	**667**

The Group's cash and cash equivalents consist exclusively of bank deposits.

NOTE 14 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital in the parent company as of 31 December 2015 consists of the following share classes:

	Number of shares	Nominal amount in NOK	Book value in NOK
Ordinary shares	249,309,950	0.25	62,327,488

Changes in share capital

Amounts in NOK thousands	2015	2014
Share capital at period start	62,082	56,457
Share capital Increase private placement	79	5,625
Share capital increase exercise of options	167	-
Share capital at period end	**62,328**	**62,082**

Amounts of shares thousands	2014	2013
Outstanding number of shares at period start	248,326	225,826
Share issuance private placement	317	22,500
Share capital increase exercise of options	667	-
Outstanding number of shares at period end	**249,310**	**248,326**

The company's Annual General Meeting (AGM) 2015 granted the Board the mandate to issue up to 24.8 million shares in a private placement. The AGM also gave the Board the mandate to issue up to 12 million shares in connection with the Group's option program. The mandate is valid until the next AGM, but no later than 30 June 2016. The AGM also gave the Board the mandate to issue up to 0.6 million shares to members of the Board of Directors (or their wholly owned companies if permissible under applicable tax regimens). This mandate was valid until 30 June 2015.

Ownership structure as of 31 December 2015

Shareholder	Ordinary shares	Ownership
Lars Henrik Høie	60,000,000	24.1%
Arctic Funds PLC	7,266,718	2.9%
Trond Syvertsen	4,000,000	1.6%
Franoco AS	3,320,000	1.3%
Statoil Pensjon	3,082,398	1.2%
Delphi Norge	2,500,000	1.0%
Nordnet Livsforsikring	2,326,891	0.9%
Mathias Holding AS	2,216,867	0.9%
Eika Norge	2,085,039	0.8%
Peter Thomas Smedvig	2,000,000	0.8%
Torstein Ingvald Tvenge	2,000,000	0.8%
Kalda AS	1,999,103	0.8%
Netfonds Livsforsikring	1,876,717	0.8%
Euroclear Bank S.A.	1,870,528	0.8%
Oust Holding AS	1,600,000	0.6%
Nordang Geoholding AS	1,500,000	0.6%
Monsunen AS	1,500,000	0.6%
Jarah Invest AS	1,500,000	0.6%
Julie Advocaat Lund	1,440,306	0.6%
Zico AS	1,400,000	0.6%
Top 20 shareholders	105,484,567	42.3%
Total other shareholders	143,825,383	57.7%
Total number of shares	249,309,950	100%

Shares owned by members of the Board and Executive Management as of 31 December 2015

Shareholder	Position	Ordinary shares
Per S. Thoresen	Chairman	0,000
Lars H. Høie	Board member	60,000,000
Benedicte Fossum (Mittas AS)	Board member	71,578
Jerome B. Zeldis	Board member	267,215
Thomas Hofstaetter	Board member	42,684
Kirsten Drejer	Board member	35,215
Ingrid Leisner	Board member	0,000
Total shares held		60,416,692

The par value per share is NOK 0.25. Changes in share capital and shares reflect the equity issue through the private placement and exercise of options in June 2015.

NOTE 15 FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities in the statement of financial position. The Group has no non-current financial instruments.

Amounts in NOK thousands	Loans and receivables	Financial liabilities at amortised cost	Total carrying value	Total fair value
Assets and liabilities 2015				
Trade and other receivables	22,728	-	22,728	22,728
Total assets as per 31 December 2015	22,728	-	22,728	22,728
Trade and other payables	31,213	-	31,213	31,213
Total liabilities as per 31 December 2015	31,213	-	31,213	31,213
Assets and liabilities 2014				
Trade and other receivables	23,680	-	23,680	23,680
Total assets as per 31 December 2014	23,680	-	23,680	23,680
Trade and other payables	27,002	-	27,002	27,002
Total liabilities as per 31 December 2014	27,002	-	27,002	27,002

NOTE 16 FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to certain financial risks including foreign exchange risk, credit risk and liquidity risk. The risk is however of such character that the Group has chosen not to put in place any measures to mitigate the potential unpredictability of the financial markets.

The Group had NOK 10.6 million in cash and cash equivalents at year end. The Group had as per 3 March 2016 raised gross proceeds of NOK 45 million in a private placement and NOK 16 million in a repair offering. The main purpose of this is to fund the Group into the third quarter of 2016. The Group will accordingly need to seek to raise substantial additional capital, in addition to the private placement and repair offering, in order to pursue its strategy and develop its business. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which originate directly from its operations.

Foreign currency risk

The value of the company's non-Norwegian currency denominated revenues and costs will be affected by changes in currency exchange rates or exchange control regulations. The company's current and foreseeable upcoming costs, including significant clinical trial costs, are incurred primarily in Euros and thus the company will be affected by fluctuation of the Euro relative to the NOK and the frequency and magnitude of any such fluctuations if any cannot be predicted. Furthermore, purchases of services for the company are also incurred in GBP and DKK in addition to CHF and USD. The vast majority of Bionor Pharma's future revenues are expected to be in USD and Euros. Bionor Pharma's current practice is to match currencies across revenues and expenses. The foreign currency exposure is mostly linked to trade payables with short payment terms. Bionor Pharma does not use derivatives to manage financial risks. Changes in foreign exchange rate will impact the Group's statement of financial position and a sensitivity analysis of +/- 10% in currencies gives an effect of below NOK 1.6 million. The Group might consider changing its current risk management of foreign exchange rate if deemed necessary.

Interest rate risk

The Group holds NOK 10.6 million in cash and cash equivalents and does not have any borrowings. Since the Group does not hold any derivative financial instrument the Group is to a lesser extent exposed to fair value evaluation following changes in interest rates. The Group's interest rate risk is therefore in the rate of return of its cash on hand. The Group will from time to time choose to place some of its cash on hand on fixed interest agreements.

Credit risk

Credit risk is the risk of counterparty's default in a financial asset, liability or customer contract, giving a financial loss. The Group's receivables are limited to receivables public authorities and a two business partners. The Group's credit risk of receivables is therefore limited. It is the Group's policy to trade only with recognized, creditworthy parties. The credit risk generated from other financial assets in the Group is limited since it is mostly cash deposits. The Group only places its cash in bank deposits in recognized Nordic financial institutions to limit its credit risk exposure. The Group's credit risk exposure relating to receivables amounts to NOK 22.7 million (2014: NOK 23.7 million).

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce cost of capital. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. In order to maintain this objective, the Group may issue new shares to meet operational needs. The Group is not subject to externally imposed capital requirements. It is the Group strategy to maintain cash and cash equivalents to significantly in excess its net financial liabilities.

Liquidity risk

Liquidity is monitored on a continual basis by Group management. In the Group's opinion, the Group does not have sufficient working capital for its present requirement for at least 12 months.

Although the Group raised net proceeds of NOK 33 million in a private placement and NOK 16 million in gross proceeds in a subsequent repair offering as of 3 March 2016, the Group estimates that it will run out of working capital in the third quarter of 2016 if no additional funds are secured. The Group estimates that the private placement is, together with the repair offering, the first of the necessary funding activities to ensure sufficient working capital for the next 12 months. The Group estimates that it requires a total amount of NOK 90-100 million in order to achieve sufficient working capital for the next 12 months, such amount including the net proceeds from the private placement and the repair offering. Accordingly, the Group requires additional funding for the second half of 2016 equal of approx. NOK 40-60 million through additional funding activities. The Group believes that these measures together will be sufficient to finance the Group for at least 12 months.

Bionor is planning to complete an additional equity offering during the first half of 2016, before initiation of the BIOSKILL clinical trial. In total, Bionor's capital need is estimated to be approximately NOK 375-425 million from the third quarter of 2016 to the first quarter of 2019, equivalent to the period from initiation of the BIOSKILL clinical trial until approximately 6-9 months after the expected announcement of final results of BIOSKILL, which the company expects to be the next major value inflection point.

There can be no guarantee that additional funding activities will take place or be successful. If the Group fails to succeed with obtaining financing through the additional funding activities, the Group may enter into bankruptcy proceedings. Please refer to note 16 (Financial risk management) and note 21 (Going concern).

Overview of financial assets and liabilities and their contractual maturity:

Amounts in NOK thousands	Total carrying value	Contractual cash flows	0-12 months
Assets and liabilities 2015			
Trade and other receivables	26,608	26,608	26,608
Trade and other payables	31,213	31,213	31,213
Net exposure as per 31 December 2015	(4,605)	(4,605)	(4,605)
Assets and liabilities 2014			
Trade and other receivables	24,651	24,651	24,651
Trade and other payables	27,002	27,002	27,002
Net exposure as per 31 December 2015	(2,350)	(2,350)	(2,350)

The Group has contractual obligations, such as rental and operationallease obligations. As of 31 December 2015 the Group's off balance obligations amounted to NOK 26,018 thousand. Of these, the off balance obligations for R&D related activities accounted for NOK 6,004 thousand and, of that amount, NOK 4,026 thousand was for completing the REDUC study. The table below shows the maturity structure of the Group's off balance obligations as of 31 December 2015.

Amounts in NOK thousands	Matures within 6 months	Matures within 6-12 months	Matures in 1-5 years	Matures after 5 years	Total
External R&D expenses	5,678	326	-	-	6,004
Housing	2,428	2,036	10,775	1,949	17,188
Other	1,483	1,104	239	-	2,826
Total	9,589	3,466	11,014	1,949	26,018

NOTE 17 SUBSIDIARIES

Company	Location and country of incorporation	Consolidated (yes/no)	Voting share/ ownership share	Equity as per 31 December 2015 in NOK	Net result for 2015 in NOK
Bionor Immuno AS	Oslo, Norway	Yes	100%	(71.4)	(45.5)
Nutri Pharma AS	Oslo, Norway	Yes	100%	0.0	-
Bionor Pharma ApS	Copenhagen, Denmark	Yes	100%	5.0	1.1
Bionor Immuno Inc	New York, USA	Yes	100%	(1.7)	0.4

Bionor Pharma ASA is the parent company in the Bionor Pharma Group. Consolidated financial statements are available on the Group's webside www.bionorpharma.com or by contacting Bionor Pharma ASA at tel +47 23010960 or post@bionorpharma.com.

NOTE 18 PROVISIONS

Amounts in NOK thousands	Employee bonus	Dispute	Total
Balance at 1 January 2014	1,021	589	1,610
Additional provisions and contingent liabilities recognised	488	(589)	(101)
Balance at 31 December 2014	**1,509**	**0**	**1,509**
Balance at 1 January 2015	1,509	0	1,509
Additional provisions and contingent liabilities recognised	(32)	80	48
Balance at 31 December 2015	**1,477**	**80**	**1,557**
Current provisions	1,477	80	1,557
Balance at 31 December 2015	**1,477**	**80**	**1,557**

The provisions for employee benefits represents accrued employee bonus, the bonus will be determined by Board of Directors after reporting period end. The provisions made for dispute in 2015 relates to a claim from tax authorities regarding interest on VAT back in 2011.

NOTE 19 RELATED PARTY TRANSACTIONS

2015

Amounts in NOK thousands	Sale to related parties	Purchase from related parties	Receivables from related parties	Liabilities to related parties
BA Ruskin Law	-	3,710	-	331
Bionor Laboratories AS	-	64	-	14
Total	**-**	**3,774**	**-**	**345**

2014

Amounts in NOK thousands	Sale to related parties	Purchase from related parties	Receivables from related parties	Liabilities to related parties
Bionor Laboratories AS	-	395	-	17
Total	**-**	**395**	**-**	**17**

Barbara Ruskin has invoiced her salary through her wholly owned company, BA Ruskin Law LLC. This will continue until Bionor Immuno

Inc is funded by the parent company. Bionor Laboratories AS is owned 100% by two members of previous management in Bionor Pharma, Gunnar Flåten and Ellisiv Rogan. Gunnar is still employed by the company and is a key employee. Purchase of services relates to laboratory services and material. In addition, the company transferred certain assets, which were without value to the company connected to its former nutraceuticals business to former Bionor Pharma Chairman Dr. Lars H. Høie shortly after he resigned as Chairman of the company's Board of Directors in May 2015. Purchases from related parties are made on market terms and following the principle of arm's length.

NOTE 20 REMUNERATION OF EXECUTIVE MANAGEMENT AND BOARD OF DIRECTORS AND AUDITOR

Remuneration to Executive Management

2015

Amounts in NOK thousands	Wages and salaries	Bonus	Sharebased payment	Pension costs	Other	Total 2015
David H. Solomon, CEO (from 19 January 2015)	4,587	-	1,223	-	1	5,812
Anker Lundemose, CEO (to January 2015)	388	53	4	-	9	453
Synne H. Røine, CFO (to 31 March 2015)	505	156	* (666)	21	2	17
Jens Krøis, CFO (from 01 May 2015)	** 1,543	202	-	-	77	1,822
Søren Keller, (from 01 March 2015)	1,626	245	96	143	-	2,110
Kamilla Rolsted, (from 01 April 2015)	1,426	250	96	126	-	1,897
Barbara Ruskin, (from 01 April 2015)	2,830	535	96	283	-	3,744
Total remuneration 2015	12,905	1,441	849	572	88	15,856

2014

Amounts in NOK thousands	Wages and salaries	Bonus	Sharebased payment	Pension costs	Other	Total 2014
Anker Lundemose, CEO	3,187	1,002	*** (350)	79	5	3,923
Synne H. Røine, CFO	1,832	444	545	82	20	2,923
Total remuneration 2014	5,018	1,446	196	160	25	6,846

* Previous CFO Synne H. Røine retired 31 March 2015 and unvested share options after Q1 2015 were forfeited. The reversal of previous expensed cost related to his share options gives rise to an income of share base payment. The reversal is without cash effect and only linked to the estimated fair value of the options.

** Jens Krøis was CFO for hire through the company Basico as a consultant.

*** CEO Anker Lundemose retired prior to year 2014 end and unvested share options after Q1 2015 was forfeited. The reversal of previous expensed cost related to his share options gives rise to an income of share base payment. The reversal is without cash effect and only linked to the estimated fair value of the options.

Guidelines for 2015

The Board of Directors has established a Statement on determination of salary and other remuneration to Key Employees and Executive Management ("Statement"). The Statement will be submitted to the General Meeting in accordance with section 6-16a of the Norwegian Public Limited Companies Act. The remuneration of Executive Management follows the following principles as stated in the Statement:

Base salary

The determination of base salary of the Executive Management is 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

Executive Management's bonuses are performance dependent and based on individual operational objectives which feed into Bionor's overall strategic goals. The annual bonus will be limited to a maximum of 25% of base salary for the Executive Management. Discretionary bonus for extraordinary performances may be awarded.

Long term and other incentive schemes

Bionor Pharma Group has a share option program for its Executive Management and key employees. The purpose of this 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 attract and retain competent high level managers. For further details on program see note 5.

Pension schemes

All employees in Bionor Pharma Group, with exception of the CEO, have a defined contribution pension scheme. The pension schemes are in accordance with applicable national legislation.

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.

Remuneration to board members

2015

Amounts in NOK thousands	Board remuneration	Committee fees	Other	Total remuneration 2015
Russell George Greig, Chairman (from May 2015)	200.0	-		200.0
Lars H. Høie, Chairman (until May 2015)	200.0	157.5		357.5
Øystein Soug, Deputy Chairman	237.5	150.0		387.5
Jerome Zeldis, Director	187.5	50.0		237.5
Benedicte Fossum, Director	187.5	125.0		312.5
Marianne Kock, Director	187.5			187.5
Bernd Seizinger, Director	100.0	50.0		150.0
Thomas Hofstaetter, Director	100.0	25.0		125.0
Kirsten Drejer, Director	100.0			100.0
Total remuneration 2015	1,500.0	557.5	-	2,057.5

2014

Amounts in NOK thousands	Board remuneration	Committee fees	Other	Total remuneration 2014
Lars H. Høie, Chairman	400.0	50.0		450.0
Øystein Soug, Deputy Chairman	225.0	50.0		275.0
Jerome Zeldis, Director	175.0	50.0		225.0
Benedicte Fossum, Director	175.0	50.0		225.0
Marianne Kock, Director	175.0	-		175.0
Total remuneration 2014	1,150.0	200.0	-	1,350.0

Remuneration to Executive Management and Board of Directors is based on accrued amounts in the financial statements. The fee to the Board is set by the Group's Annual General Assembly and paid retroactively. The accrued remuneration is based on Management's best estimate.

Audit remuneration

Amounts in NOK thousands	2015	2014
Audit fee	301	560
Tax advisory services	461	103
Other audit related services	636	9
Other services non-audit related	-	113
Total	1,398	785

All fees above are excluded VAT.

NOTE 21 GOING CONCERN

The Group's working capital is based on current cash flow prognoses considered not to be sufficient for Bionor to continue as a going concern for the next 12-month period. See also note 16 (Financial Risk Management).

11 February 2016, the company's shareholders approved the completion of a private placement raising NOK 45 million in gross proceeds, which is expected to fund the company through the first half of 2016, and on 3 March 2016 Bionor announced that a subsequent repair offering for existing shareholders raised NOK 16 million in gross proceeds.

NOTE 22 EVENTS AFTER REPORTING DATE

11 February 2016, the company's shareholders approved the completion of a private placement raising NOK 45 million in gross proceeds, which is expected to fund the company through the first half of 2016, and on 3 March 2016 Bionor announced that a subsequent repair offering for existing shareholders raised NOK 16 million in gross proceeds.

1 February 2016, Bionor was granted up to NOK 9.2 million from the Research Council of Norway to further advance Vacc-4x in a combination treatment regimen.

FINANCIAL STATEMENTS 2015 - BIONOR PHARMA ASA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

Amounts in NOK thousands	Note	2015	2014
Revenues	4	46,751	46,798
Cost of goods sold		-	(1,222)
Employee benefit expenses	5, 19	(16,394)	(13,780)
Depreciation	10	(305)	(308)
Other operating expenses	6, 19	(80,595)	(46,028)
Total operating expenses		(97,294)	(61,339)
Operating loss		(50,543)	(14,541)
Finance income	7	7,154	12,253
Finance costs	7	(1,211)	(458)
Net financial items		5,943	11,795
Loss before tax		(40,277)	(2,746)
Income tax expense	8		
Loss after tax		(44,600)	(2,746)
Net loss		(44,600)	(2,746)
Other comprehensive income			
Items that may be reclassified subsequently through profit or loss		-	-
Exchange differences arising on translation of foreign operations		-	-
Total other comprehensive income		(44,600)	(2,746)
Attributable to:			
Equity holders of the parent	9	(44,600)	(2,746)
Earnings (loss) per share (NOK) basic and diluted:		(0.18)	(0.01)
Average outstanding shares		248,841	233,039

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

Amounts in NOK thousands	Note	2015	2014
ASSETS			
Non-current assets			
Goodwill		-	-
Intangible assets		-	-
Property, plant and equipment	10	1,828	2,132
Investments in subsidiaries	16	338,419	335,011
Other long term receivables	11	3,438	971
Total non-current assets		**343,685**	**338,114**
Current assets			
Accounts receivables	11, 14, 15	18	1,220
Intercompany receivables	11, 14, 15	107,802	61,622
Other short term receivables	11, 14, 15	948	2,864
Cash and cash equivalents	12, 15	8,268	90,287
Total current assets		**117,036**	**155,993**
Total assets		**460,721**	**494,107**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	62,327	62,082
Share premium		314,266	313,100
Other paid-in equity		5,539	4,408
Retained earnings and reserves		41,427	86,027
Total equity		**423,560**	**465,617**
Liabilities			
Current liabilities			
Accounts payables	14, 15	3,061	2,183
Public duties payable	14, 15	12,214	10,446
Borrowings		-	-
Intercompany payables	14, 15	10,479	5,583
Other current liabilities	14, 15	10,818	8,770
Provisions	17	590	1,509
Total current liabilities		**37,161**	**28,490**
Total liabilities		**37,161**	**28,490**
Total equity and liabilities		**460,721**	**494,107**

Oslo, 31 March 2016
The Board of Directors of Bionor Pharma ASA

Per S. Thoresen, Chairman

Lars H. Høie

Benedicte Fossum

Tomas Hofstaetter

Kirsten Drejer, Director

Jerome B. Zeldis

Ingrid Leisner

David Horn Solomon, CEO

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

Amounts in NOK thousands	Note	2015	2014
OPERATING ACTIVITIES			
Profit (loss) before tax		(44,600)	(2,746)
Depreciation	10	305	308
Share-based payments	5	964	(1,894)
Accrued interest income from subsidiaries		4,425	(10,312)
Change in accounts receivables	11	1,202	(1,220)
Change in accounts payables		878	308
Change in other intercompany assets and liabilities		(45,709)	(49,944)
Change in other assets and liabilities		2,513	2,638
Net cash from operating activities		**(80,023)**	**(62,862)**
INVESTING ACTIVITIES			
Investments/loans made to subsidiaries		(3,408)	(3,000)
Net cash flows (used in)/from investing activities		**(3,408)**	**(3,000)**
FINANCING ACTIVITIES			
Proceeds from issue of share capital	13	79	50,057
Proceeds from exercise of options		1,333	-
Net cash flows (used in)/from financing activities		**1,413**	**50,057**
Cash and cash equivalents at beginning of period		**90,286**	**106,091**
Net increase/(decrease) in cash and cash equivalents		(82,019)	(15,805)
Cash and cash equivalents at period end		**8,267**	**90,286**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

Amounts in NOK thousands	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2015		**62,082**	**313,100**	**4,408**	**86,028**	**465,616**
Share-based payment	5	-	-	1,131	-	1,131
Total net loss for the year		-	-	-	(44,600)	(44,600)
Total other comprehensive income for the year		-	-	-	-	-
Issue of share capital	13	246	1,167	-	-	1,413
Transaction cost issue of share capital	13	-	-	-	-	-
Equity at 31 December 2015		**62,328**	**314,267**	**5,539**	**41,427**	**423,559**
Equity at 1 January 2014		**56,457**	**268,668**	**5,973**	**88,774**	**419,870**
Share-based payment	5	-	-	(1,565)	-	(1,565)
Total net loss for the year		-	-	-	(2,746)	(2,746)
Total other comprehensive income for the year		-	-	-	-	-
Issue of share capital	13	5,625	47,250	-	-	52,875
Transaction cost issue of share capital	13	-	(2,818)	-	-	(2,818)
Equity at 31 December 2014		**62,082**	**313,100**	**4,408**	**86,028**	**465,616**

NOTES TO THE FINANCIAL STATEMENTS - BIONOR PHARMA ASA

NOTE 1 GENERAL INFORMATION

Bionor Pharma ASA (the company) is incorporated and domiciled in Norway. Bionor Pharma ASA is listed on Oslo Stock Exchange and shares are traded under the ticker (OSE:BIONOR). The address of the registered office is Kronprinsesse Märthas Plass 1, 0160 Oslo, Norway. The Bionor Pharma Group consists of Bionor Pharma ASA and four wholly owned subsidiaries; Bionor Pharma ApS, Bionor Immuno AS, Bionor Immuno Inc and Nutri Pharma AS.

The company was incorporated 2 January 1993 and became a public company under the name Nutri Pharma ASA in 2000 and changed its name to Bionor Pharma ASA following the acquisition of the vaccine development company Bionor Immuno AS in 2010. The main focus of the Bionor Pharma ASA is development of vaccines for viral diseases.

The financial statements for 2015 were approved by the Board of Directors 31 March 2016. The financial statements presented cover the results of the company for the financial year 2015 with comparative information for the financial year 2014. The consolidated financial statements are presented in Norwegian kroner (NOK).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation

The financial statements for 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the International Accounting Standards Board (IASB) and approved by the EU.

The financial statements have been prepared under the historical cost basis except for the revaluation to fair value of derivative financial instruments. The financial statements are presented in NOK and all values are rounded to the nearest thousand except where otherwise indicated. The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the company during the current financial year. These have had no impact on the amounts reported in the financial statements.

2.2 Functional and presentation currency and foreign currency translation

The financial statements are presented in Norwegian kroner (NOK) which is also the functional currency of the company.

In preparing the financial statements transactions in currencies other than the company's functional currency are recognized at the exchange rates prevailing at the dates of the transactions. Gains and losses on transactions and assets and liabilities denominated in other currencies than the functional currency are recognized in the income statement in the period in which they arise and any exchange gains or losses are recognized as financial items in the profit or loss.

2.3 Use of estimates

In the application of the company's accounting policies Management makes judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events, which are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The evaluations and estimates deemed to be of greatest significance for the company are as follows:

Investment in subsidiaries

Investments in subsidiaries are significant items in the statement of financial position of the company. 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. The determination of whether investments in subsidiaries are impaired requires an estimation of future cash flows expected to arise from the subsidiary.

The company's investment in subsidiaries is the investment of Bionor Immuno AS. Bionor Immuno AS holds the patents pertaining to the Group's product candidates and the fair value of the company's equity is closely linked to this value. The recoverable amount is determined based on the fair value of the equity for the company.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that there is indication 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. The company has a history of tax losses and therefore no tax assets are recognized. However, based on the development of the product candidate this assumption might change and a significant deferred tax asset could be recognized. See also note 8 Tax.

2.4 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. Revenues from the sales of 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.

2.5 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 company and the cost of the item can be measured reliably. Repairs and maintenance are expensed as incurred. If new parts are capitalized, 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 company assesses at each reporting date whether there are indicators of impairment. If any such indicators exist, the company makes an estimate of the asset's recoverable amount. Assets are impaired if the 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.

2.6 Intangible assets

Research and development

Research expenditure is 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. Capitalized development costs are recognized as cost less any accumulated amortization and impairment loss. Capitalized development costs that have finite useful lives, are amortized on a straight-line basis over the expected useful economic life of the intangible asset from the commencement of the commercial production.

2.7 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 grant is recognized as a reduction of costs.

2.8 Financial assets and liabilities

Financial assets and liabilities are recognized in the following categories; 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 company 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 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 is 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 company 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.

Impairment of financial assets

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 company 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.

2.9 Leasing

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

Operating leases

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

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at hand and deposits with banks. Cash equivalents are short term highly liquid investments with original maturities of three months or less.

2.11 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 all taxable temporary differences, except:

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

- In respect to taxable temporary differences from investments in foreign subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable the temporary differences will not reverse foreseeable 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 utilized.

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 utilized. 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 reporting 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.

2.12 Employee benefits and share-based payment

Defined contribution plan

The company's pension plan is a defined contribution plan. The company pays contributions to privately administered pension insurance plans on a mandatory basis in accordance with applicable national legislation. The company 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 payments

The parent company operates equity-settled share-based remuneration plans for its employees. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using Black Scholes model. The cost is 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.

When the terms of an equity-settled share-based remuneration plans are modified, the minimum expense recognized is the expense had the terms not been modified if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.13 Provisions

Provisions are recognized when the company 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.

2.14 Investments in subsidiaries

Investment in subsidiaries is recognized at cost in Bionor Pharma ASA's separate financial statement. 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.

2.15 Events after reporting date

New information on the company's financial position at the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period but which will affect the company's financial position in the future are disclosed if significant.

2.16 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.

NOTE 3 ADOPTATION OF NEW AND REVISED REPORTING STANDARDS AND INTERPRETATIONS

Standards and Interpretations adopted with no significant effect on the financial statements

The new and revised or amended standards adopted in the current period have not had an impact on the recognition and measurement of assets and liabilities or presentation and disclosures in the financial statements, but may affect the accounting for future transactions or arrangements.

Standards and interpretations issued but not yet adopted

A number of new standards, amendments and interpretations have been published by the IASB and endorsed by the EU with effect for annual periods beginning on or after 1 January 2016.

- **IFRS 9 Financial Instruments**
  IFRS 9 Financial Instruments will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project has been transferred into IFRS 9.

- **IFRS 15 Revenue from Contracts with Customers**
  The core principle of IFRS 15 is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contract and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). IFRS 15 will be effective on 1 Januar 2018 with early adoption permitted, subject to EU endorsement.

- **IFRS 16 Leases**
  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

These new standards, amendments and interpretations are not expected to have a significant impact on the recognition and measurement of assets and liabilities or presentation and disclosures in the financial statements, but may affect the accounting for future transactions or arrangements.

NOTE 4 REVENUE

Amounts in NOK thousands	2015	2014
Nutraceutical products	-	1,636
Vaccines	-	3,472
Other	85	-
Intercompany revenue	46,666	41,690
Total operating revenue	**46,751**	**46,798**

Nutri Pharma ASA changed its name to Bionor Pharma ASA following the acquisition of the vaccine development company Bionor Immuno AS in 2010. The main focus of the company is development of vaccines for viral diseases and is its only segment. Prior to the acquisition of Bionor Immuno AS Nutri Pharma ASA main business was sales of Nutraceuticals. There was no sale of Nutraceuticals in 2015 and some limited sales of Nutraceuticals in 2014 (NOK 1.6 million)

The vaccine segment is still in a research and development phase. The company entered into an R&D agreement with Celgene Inc, one of the world's largest biotech companies, for the Vacc-4x + romidepsin trial. Positive results were reported end of Q4 2015. Celgene has covered their own cost by delivering their product free of charge. Other sales are related to sublease of offices and refund of some other operating cost.

Transfer prices between the Group's companies are set on an arm's length basis in a manner similar to transactions with third parties. Intercompany revenue and result include transfers between business companies within the Group. Those transfers are eliminated in consolidation.

NOTE 5 EMPLOYEE BENEFIT EXPENSES AND SHARE OPTIONS

Employee benefit expenses

Amounts in NOK thousands	2015	2014
Wages and salaries	13,705	13,483
Payroll tax	1,040	1,099
Share-based payment	1,131	(1,565)
Pension costs defined contribution plan	332	468
Other	187	296
Total	16,394	13,781

Personnel in the company are employed in the parent company as well as the Danish and US subsidiaries, with an average number of man-years through 2015 of 12 (10). The company has a pension scheme for its employees in Norway. The pension obligation is fully financed by premium payments.

As regards the Norwegian employees, the defined pension contribution scheme fulfills the requirements of the Norwegian occupational pension legislation (OTP).

Stock options

Bionor has a share option program to ensure the focus and alignment the company's long term performance with shareholder values and interest. The program also serves to retain and attract key management. Certain members of key management have been granted share options upon joining the company. Additional grants have been made to key personnel 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. Up until end 2014 share options vested over a three-year period and are usually vested according to the following plan; 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 seven years after the grant date. Certain older options do not follow the same principles.

From 2015 options vest with 1/4 on the first annual anniversary of grant and thereafter by 1/48 each month for the next 36 months and the new CEO was granted 2,500,000 options on these terms at the time of his employment in 2015. As part of the incentive program leading employees were granted 2,350,000 options in August 2015. All option contracts include regulation that in the case of termination of employment, the employee will not vest further share options beyond notice of termination (with certain provisions of accelerated partial vesting). 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 seeks a yearly authorization from shareholders at the Annual General Meeting to issue a maximum number of share options in total for all grants. Cap is approximately 5% of outstanding shares and options (fully diluted). As per 31.12.2015 current and previous management, employees and consultant were granted 8,473,333 share options of which 3,310,003 were fully vested as per 31.12.2015.

Overview granted stock options

	2015 Weighted average		2014 Weighted average	
	Number of options	Exercise price (in NOK)	Number of options	Exercise price (in NOK)
Outstanding on 1 January	5,810,000	2.20	7,980,000	2.23
Granted during the period	4,850,000	2.21	1,300,000	2.55
Forfeited during the period	1,520,000	2.40	3,470,000	2.39
Exercised during the period	666,667	2.00	-	-
Outstanding at 31 December	8,473,333	2.19	5,810,000	2.20
Exercisable at 31 December	3,310,003	2.10	4,186,663	2.07

Vesting period of outstanding options

	No of options	Average price (in NOK)
Options fully vested	3,309,997	2.10
2016 Q1	729,166	2.37
2016 Q2	386,250	2.57
2016 Q3	792,703	2.11
2016 Q4	303,111	2.09
2017 Q1	303,111	2.09
2017 Q2	386,446	2.14
2017 Q3	303,129	2.09
2017 Q4	303,129	2.09
2018 Q1	303,125	2.09
2018 Q2	303,132	2.09
2018 Q3	303,134	2.09
2018 Q4	303,128	2.09
2019 Q1	198,967	2.06
2019 Q2	146,883	2.05
2019 Q3	97,922	2.05
Options not vested	5,163,336	2.25
Total number of outstanding options	8,473,333	2.19

Stock options by exercise price

Exercise price (in NOK)	No of options
2.00	2,933,333
2.05	2,350,000
2.37	2,500,000
2.48	240,000
2.55	250,000
3.50	200,000
Total number of options	8,473,333

Amounts in NOK thousands	2015	2014
Total expensed cost for share based payment	964	(1,894)
Total carrying amount for share options	5,589	4,458
Total intrinsic value of outstanding share options	-	1,192

If the employment is terminated all non-excercised options will be forfeited, with a few exceptions. The company's Board may at any time resolve to terminate the options against payment to the option holder of a NOK amount equaling the value of vested and unvested options calculated as the difference between the market value of the option shares at such time less the exercised price for such option shares.

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.

The expensed share-based compensation for the Group and Bionor Pharma ASA is NOK 1.1 million (2014: NOK -1.6 million). In addition a payroll tax of NOK -0.2 million (2014: NOK -0.3 million) is recognized based on the difference between the share price and exercise price on exercisable options per 31 December 2015.

Executive Management

	Exercise price (in NOK)	No of options 31.12.2015
David H. Solomon, President and Chief Executive Officer	2.37	2,500,000
Jens Krøis, Senior Vice President, Chief Financial Officer	-	-
Kamilla Rolsted, Senior Vice President, Chief Strategy and Business Officer	2.05	500,000
Barbara Ruskin, Senior Vice President, General Counsel and Chief Patent Officer	2.05	500,000
Søren Keller, Senior Vice President, Chief Operating Officer	2.05	500,000

NOTE 6 OTHER OPERATING EXPENSES BY NATURE

Other operating expenses

Amounts in NOK thousands	2015	2014
R&D related expenses	35,135	30,387
Other administrative expenses	43,930	12,055
Inter company expenses	1,530	3,472
Total other operating expenses	80,595	45,915

Bionor Pharma ASA leases offices and laboratories in Oslo. The contract for the head quarter in the city center of Oslo expires in Q3 2022 and the annual lease obligation is NOK 1.5 million. The lease agreement for the laboratories in Forskningsparken expires in Q3 2016 and the annual lease obligation is NOK 0.4 million. A new lease agreement for laboratories at Klosterøya in Skien has been entered from Q3 2016 and the annual lease obligation will be NOK 0.2 million.

The company's lease agreements are subject to annual price adjustments.

NOTE 7 FINANCE INCOME AND EXPENSE

Amounts in NOK thousands	2015	2014
Finance income		
Interest income from subsidiaries	5,887	10,312
Other interest income	649	1,561
Net foreign exchange gain	619	380
Total finance income	7,155	12,253
Finance expense		
Interest cost from subsidaries	-	-
Net foreign exchange loss	(1,070)	(434)
Other interest expense	(141)	(23)
Total finance expense	(1,211)	(458)
Net financial items	5,943	11,795

NOTE 8 TAX

Amounts in NOK thousands	2015	2014
Tax expense/(income)		
Profit/(loss) before tax	(44,600)	(2,746)
Calculated tax expense/(income) (27%)	(12,042)	(741)
Reconciliation from nominal to effective tax rate		
Permanent differences	(263)	(421)
Permanent differences transaction costs charged to equity	-	(761)
Changes in deferred tax assets not recognized	7,144	1,923
Change in tax rate Norway from 27% to 25%	5,161	-
Calculated tax expense	-	-
Effective tax rate	0%	0%
Specification of deferred tax – tax effect of temporary differences		
Deferred tax liability		
Liabilities	-	-
Gain and loss account	9,011	12,165
Total liabilities of deferred tax	9,011	12,165
Deferred tax receivables		
Tax effect of losses carried forward	73,503	69,503
Intangible assets	-	-
Other year end provisions	-	-
Fixed assets	23	32
Total receivables of deferred tax	73,525	69,535
Net asset of deferred tax	64,514	57,370
Not recognized deferred tax asset	64,514	57,370
Recognized deferred tax asset	-	-

Bionor Pharma 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 financial statements. The Norwegian tax rate changes from 28% to 27% in 2014, and impacts the company's deferred tax asset. The change does not impact the company's future tax 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 NOK 89.7 million earned beyond loss carried forward. The penalty tax is estimated to be NOK 7.5 million. Due to uncertainty of the timing of a potential tax position, this penalty is not recognized.

Geographical distribution of deferred tax carried forward per 31 December 2015

Amounts in NOK thousands	Norway	Total
Total loss carried forward	294,011	294,011
Of which deferred tax asset has not been recognized	294,011	294,011
Tax losses on which deferred tax asset has been recognized	-	-

Geographical distribution of deferred tax carried forward per 31 December 2014

Amounts in NOK thousands	Norway	Total
Total loss carried forward	257,419	257,419
Of which deferred tax asset has not been recognized	257,419	257,419
Tax losses on which deferred tax asset has been recognized	-	-

NOTE 9 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 are multiplied by a time-weighting factor. Diluted earnings per share is calculated as profit or loss attributable to ordinary equity holders of the parent company divided by weighted 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 weighted 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" are included in the calculations. Potential share options are expected to be converted at the time of transfer.

The company had 248,326,348 (incl. 1,625 own shares) at the beginning and 249,309,950 (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.

	2015	2014
Loss from continued operation (NOK thousand)	(50,487)	(2,746)
Average number of outstanding shares (exclusive own shares)	248,841,047	233,038,677
Ordinary result per share – basic/diluted – for continued operation	(0.20)	(0.01)

NOTE 10 PROPERTY PLANT AND EQUIPMENT

Amounts in NOK thousands	Office equipment	Total
Cost		
At 1 January 2014	3,191	3,191
Additions	-	-
Disposals	-	-
At 31 December 2014	3,191	3,191
Additions	-	-
Disposals	-	-
At 31 December 2015	**3,191**	**3,191**
Depreciation		
At 1 January 2014	(750)	(750)
Depreciation charge for the year	(308)	(308)
Disposals	-	-
At 31 December 2014	(1,058)	(1,058)
Depreciation charge for the year	(305)	(305)
Disposals	-	-
At 31 December 2015	**(1,363)**	**(1,363)**
Net carrying value at 31 December 2015	**1,828**	**1,828**
Net carrying value at 31 December 2014	2,133	2,133
Useful life	5 years	
Depreciation method	Linear	

NOTE 11 TRADE AND OTHER RECEIVABLES

Amounts in NOK thousands	2015	2014
Accounts receivables	18	1,220
Intercompany receivables	107,802	61,622
VAT	6	-
Prepaid costs	942	2,864
Total	108,768	65,706
Other long term receivables	**3,438**	**954**

Long term receivables are deposits made according to long term lease agreements of offices in Norway and US.

NOTE 12 CASH AND CASH EQUIVALENTS

Amounts in NOK thousands	2015	2014
Cash and bank balances	8,268	90,287
Total cash and cash equivalents	**8,268**	**90,287**
Restricted funds for employees witholding tax	568	634

The company's cash and cash equivalents consist exclusively of bank deposits.

NOTE 13 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital in the company as of 31 December 2015 consists of the following share classes:

	Number of shares	Nominal amount in NOK	Book value in NOK
Ordinary shares	249,309,950	0.25	62,327,488

Changes in share capital

Amounts in NOK thousands	2015	2014
Share capital at period start	62,082	56,457
Share capital increase private placement	79	5,625
Share capital increase exercise of options	167	-
Share capital at period end	**62,328**	**62,082**

	2014	2013
Outstanding number of shares at period start	248,326	225,826
Share issuance private placement	317	22,500
Share capital increase exercise of options	667	-
Outstanding number of shares at period end	**249,310**	**248,326**

The company's Annual General Meeting (AGM) 2015 granted the Board of Directors the mandate to issue up to 24.8 million shares in a private placement. The AGM also gave the Board the mandate to issue up to 12 million shares in connection with the Group's option program. The mandate is valid until the next AGM, but no later than 30 June 2016. The AGM also gave the Board of Directors the mandate to issue up to 0.6 million shares to members of the Board of Directors (or their wholly owned companies if permissible under applicable tax regimens).
This mandate was valid until 30 June 2015.

Ownership structure as of 31 December 2015

Shareholder	Ordinary shares	Ownership
Lars Henrik Høie	60,000,000	24.1%
Arctic Funds PLC	7,266,718	2.9%
Trond Syvertsen	4,000,000	1.6%
Franoco AS	3,320,000	1.3%
Statoil Pensjon	3,082,398	1.2%
Delphi Norge	2,500,000	1.0%
Nordnet Livsforsikring	2,326,891	0.9%
Mathias Holding AS	2,216,867	0.9%
Eika Norge	2,085,039	0.8%
Peter Thomas Smedvig	2,000,000	0.8%
Torstein Ingvald Tvenge	2,000,000	0.8%
Kalda AS	1,999,103	0.8%
Netfonds Livsforsikring	1,876,717	0.8%
Euroclear Bank S.A.	1,870,528	0.8%
Oust Holding AS	1,600,000	0.6%
Nordang Geoholding AS	1,500,000	0.6%
Monsunen AS	1,500,000	0.6%
Jarah Invest AS	1,500,000	0.6%
Julie Advocaat Lund	1,440,306	0.6%
Zico AS	1,400,000	0.6%
Top 20 shareholders	105,484,567	42.3%
Total other shareholders	143,825,383	57.7%
Total number of shares	249,309,950	100%

Shares owned by members of the Board and Executive Management as of 31 December 2015

Shareholder	Position	Ordinary shares
Per S. Thoresen	Chairman	0,000
Lars H. Høie	Board member	60,000,000
Benedicte Fossum (Mittas AS)	Board member	71,578
Jerome B. Zeldis	Board member	267,215
Thomas Hofstaetter	Board member	42,684
Kirsten Drejer	Board member	35,215
Ingrid Leisner	Board member	0,000
Total shares held		60,416,692

The par value per share is NOK 0.25. Changes in share capital and shares reflect the equity issue through the private placement and exercise of options in June 2015.

NOTE 14 FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities in the statement of financial position. The company has no non-current financial instruments.

Amounts in NOK thousands	Loans and receivables	Financial liabilities at amortised cost	Total carrying value	Total fair value
Assets and liabilities 2015				
Trade and other receivables	4,404	-	4,404	4,404
Intercompany receivables	107,802	107,802	107,802	107,802
Total assets as per 31 December 2015	112,125	107,802	112,206	112,206
Trade and other payables intercompany payables	26,683	-	26,683	26,683
Intercompany payables	-	10,479	10,479	10,479
Total liabilities as per 31 December 2015	26,683	10,479	37,161	37,161
Assets and liabilities 2014	5,056	-	5,056	5,056
Trade and other receivables	-	61,622	61,622	61,622
Intercompany receivables	5,056	61,622	66,677	66,677
Total assets as per 31 December 2014	22,908	-	22,908	22,908
Trade and other payables	-	5,583	5,583	5,583
Intercompany payables	22,908	5,583	28,490	28,490
Total liabilities as per 31 December 2014	22,908	5,583	28,490	28,490

There is no arrangement fee or other upfront fees connected to intercompany borrowing, so even though borrowings are recorded at amortized cost, carrying value will be approximately equal to the fair value.

NOTE 15 FINANCIAL RISK MANAGEMENT

The company's activities are exposed to certain financial risks including foreign exchange risk, credit risk and liquidity risk. The risk is however of such character that the company has chosen not to put in place any measures to mitigate the potential unpredictability of the financial markets.

The company has NOK 8.3 million in cash and cash equivalents at year end. The main purpose of this is to finance the ongoing company activities and clinical trials. The company has various other financial assets and liabilities such as loans, trade receivables and trade payables, which originate directly from its operations.

Foreign currency risk

The company's operations are largely international and a significant portion of other operating expenses are in foreign currency. The company's financial performance is therefore largely tied to the performance of Norwegian Krone (NOK). The company has however chosen not to hedge its operational performance as the company's cash flow is denominated in several currencies that changes depending on where clinical trials are run. The foreign currency exposure is also mostly linked to trade payables with short payment terms. Most purchase of services is in EUR, GBP and DKK in addition to CHF and USD. Changes in foreign exchange rate will therefore to a lesser extent impact the company's statement of financial position and a sensitivity analysis of +/- 10% in currencies gives an effect of NOK 1.4 million. The company might consider changing its current risk management of foreign exchange rate if deemed necessary.

Interest rate risk

The company holds NOK 8.3 million in cash and cash equivalents and does not have any borrowings. Since the company does not hold any derivative financial instrument the company is to a lesser extent exposed to fair value evaluation following changes in interest rates. The company's interest rate risk is therefore in the rate of return of its cash on hand. The company will from time to time choose to place some of its cash on hand on fixed interest agreements.

Credit risk

Credit risk is the risk of counterparty's default in a financial asset, liability or customer contract, giving a financial loss. The company's receivables are limited to receivables public authorities and a two business partners. The company's credit risk of receivables is therefore limited. It is the company's policy to trade only with recognized, creditworthy parties. The credit risk generated from other financial assets in the company is limited since it is mostly cash deposits. The company only places its cash in bank deposits in recognized Nordic financial

institutions to limit its credit risk exposure. The company has considerable intercompany receivables of NOK 61.6 million. The company is however considered to be one cash generating unit so the default risk of subsidiaries is no greater than the risk of default for the company itself.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce cost of capital. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. In order to maintain this objective, the company may issue new shares to meet operational needs. The company is not subject to externally imposed capital requirements. It is the company strategy to maintain cash and cash equivalents to significantly in excess its net financial liabilities.

Liquidity risk

Liquidity is monitored on a continual basis by Group management. In the company's opinion, the company does not have sufficient working capital for its present requirement for at least 12 months.

Although the company raised net proceeds of NOK 33 million in a private placement and NOK 16 million in gross proceeds in a subsequent repair offering as of 3 March 2016, the company estimates that it will run out of working capital in the third quarter of 2016 if no additional funds are secured. The company estimates that the private placement is, together with the repair offering, the first of the necessary funding activities to ensure sufficient working capital for the next 12 months. The company estimates that it requires a total amount of NOK 90-100 million in order to achieve sufficient working capital for the next 12 months, such amount including the net proceeds from the private placement and the repair offering. Accordingly, the company requires additional funding for the second half of 2016 equal of approx. NOK 40-60 million through additional funding activities. The company believes that these measures together will be sufficient to finance the Group for at least 12 months.

Bionor is planning to complete an additional equity offering during the first half of 2016, before initiation of the BIOSKILL clinical trial. In total, Bionor's capital need is estimated to be approximately NOK 375-425 million from the third quarter of 2016 to the first quarter of 2019, equivalent to the period from initiation of the BIOSKILL clinical trial until approximately 6-9 months after the expected announcement of final results of BIOSKILL, which the company expects to be the next major value inflection point.

There can be no guarantee that additional funding activities will take place or be successful. If the company fails to succeed with obtaining financing through the additional funding activities, the company may enter into bankruptcy proceedings. Please refer to note 15 (Financial risk management) and note 20 (Going concern).

Overview of financial assets and liabilities and their contractual maturity:

Amounts in NOK thousands	Total carrying value	Contractual cash flows	0-12 Months	> 1 year
Assets and liabilities 2015				
Trade and other receivables	4,404	4,404	4,404	-
Intercompany receivables	107,802	107,802	107,802	-
Trade and other payables	26,683	26,683	26,683	-
Intercompany payables	10,479	10,479	10,479	-
Borrowings	-	-	-	-
Net exposure as per 31 December 2015	75,040	75,040	75,040	-
Assets and liabilities 2014				
Trade and other receivables	5,056	5,056	5,056	-
Intercompany receivables	61,622	61,622	61,622	-
Trade and other payables	22,908	22,908	22,908	-
Intercompany payables	5,583	5,583	5,583	-
Borrowings	-	-	-	-
Net exposure as per 31 December 2014	38,187	38,187	38,187	-

The company has contractual obligations, such as rental and operational lease obligations. As of 31 December 2015 the company's off balance obligations amounted to NOK 16,112 thousand. Of these, the off balance obligations for R&D related activities accounted for NOK 4,844 thousand and, of that amount, NOK 4,005 thousand was for completing the REDUC study. The table below shows the maturity

structure of the company's off balance obligations as of 31 December 2015.

Amounts in NOK thousands	Matures within 6 months	Matures within 6-12 months	Matures in 1-5 years	Matures after 5 years	Total
External R&D expenses	4,844	-	-	-	4,844
Housing	911	780	5,197	1,949	8,836
Other	1,964	236	231	-	2,431
Total	7,719	1,016	5,428	1,949	16,112

NOTE 16 SUBSIDIARIES

Company	Location and country of incorporation	Consolidated (yes/no)	Voting share/ ownership share	Equity as per 31 December 2015 in NOK million	Net profit/loss for 2015 in NOK million
Bionor Immuno AS	Oslo, Norway	Yes	100%	(71.4)	(45.5)
Nutri Pharma AS	Oslo, Norway	Yes	100%	0.0	-
Bionor Pharma ApS	Copenhagen, Denmark	Yes	100%	5.01	1.11
Bionor Immuno Inc	New York, USA	Yes	100%	(1.7)	0.37

Bionor Pharma ASA is the parent company in the Bionor Pharma Group. Consolidated financial statements are available on the Group's website www.bionorpharma.com or by contacting Bionor Pharma ASA at tel +47 23010960 or post@bionorpharma.com.

NOTE 17 PROVISIONS

Amounts in NOK thousands	Employee bonus	Dispute	Total
Balance at 1 January 2014	1,021	589	1,610
Additional provisions and contingent liabilities recognised	488	(589)	(101)
Balance at 31 December 2014	1,509	-	1,509
Balance at 1 January 2015	1,509	-	1,509
Additional provisions and contingent liabilities recognised	(999)	80	(919)
Balance at 31 December 2015	510	80	590
Current provisions	510	80	590
Balance at 31 December 2015	510	80	590

The provisions for employee benefits represents accrued employee bonus, the bonus will be determined by Board of Directors after reporting period end. The provisions made for dispute in 2015 relates to a claim from tax authorities regarding interest on VAT back in 2011.

NOTE 18 RELATED PARTY TRANSACTIONS

Amounts in NOK thousands	Sale to related parties	Purchase from related parties	Receivables from related parties	Liabilities to related parties	Interest from related parties
BA Ruskin Law	-	3,710	-	-	
Bionor Immuno AS	46,666	220	107,752	5,746	5,887
Bionor Pharma ApS		12,271	50	4,342	
Bionor Immuno Inc		1,081		391	
Total	46,666	17,282	107,802	10,479	5,887

Amounts in NOK thousands	Sale to related parties	Purchase from related parties	Receivables from related parties	Liabilities to related parties	Interest from related parties
Bionor Immuno AS	41,690	3,601	55,778	5,583	10,312
Total	41,690	3,601	55,778	5,583	10,312

Barbara Ruskin has invoiced her salary through her wholly owned company, BA Ruskin Law LLC. Bionor Laboratories AS is owned 100% by two members of previous management in Bionor Pharma, Gunnar Flåten and Ellisiv Rogan. Gunnar is still employed by the company and is a key employee. Purchase of services relates to laboratory services and material. In addition, the company transferred certain assets, which were without value to the company connected to its former nutraceuticals business to former Bionor Pharma Chairman Dr. Lars H. Høie shortly after he resigned as Chairman of the company's Board of Directors in May 2015. Purchases from related parties are made on market terms and follow the principle of arm's length.

NOTE 19 REMUNERATION OF EXECUTIVE MANAGEMENT AND BOARD OF DIRECTORS AND AUDITOR

Remuneration to Executive Management

2015

Amounts in NOK thousands	Wages and salaries	Bonus	Sharebased payment	Pension costs	Other	Total 2015
David H. Solomon, CEO (from 19 January 2015)	4,587	-	1,223	-	1	5,812
Anker Lundemose, CEO (to January 2015)	388	53	4	-	9	453
Synne H. Røine, CFO (to 31 March 2015)	505	156	* (666)	21	2	17
Jens Krøis, CFO (from 01 May 2015)	** 1,543	202	-	-	77	1,822
Søren Keller, (from 01 March 2015)	1,626	245	96	143	-	2,110
Kamilla Rolsted, (from 01 April 2015)	1,426	250	96	126	-	1,897
Barbara Ruskin, (from 01 April 2015)	2,830	535	96	283	-	3,744
Total remuneration 2015	12,905	1,441	849	572	88	15,856

2014

Amounts in NOK thousands	Wages and salaries	Bonus	Sharebased payment	Pension costs	Other	Total 2014
Anker Lundemose, CEO	3,187	1,002	*** (350)	79	5	3,923
Synne H. Røine, CFO	1,832	444	545	82	20	2,923
Total remuneration 2014	5,018	1,446	196	160	25	6,846

* Previous CFO Synne H. Røine retired 31 March 2015 and unvested share options after Q1 2015 were forfeited. The reversal of previous expensed cost related to his share options gives rise to an income of share base payment. The reversal is without cash effect and only linked to the estimated fair value of the options.

** Jens Krøis was CFO for hire through the company Basico as a consultant.

*** CEO Anker Lundemose retired prior to year 2014 end and unvested share options after Q1 2015 was forfeited. The reversal of previous expensed cost related to his share options gives rise to an income of share base payment. The reversal is without cash effect and only linked to the estimated fair value of the options.

Guidelines for 2015

The Board of Directors has established a Statement on Determination of Salary and Other Remuneration to Leading Employees and Executive Management ("Statement"). The Statement will be submitted to the Annual General Meeting in accordance with section 6-16a of the Norwegian Public Limited Companies Act. The remuneration of senior management follows the following principles as stated in the Statement:

Base salary

The determination of base salary of members of the Executive Management, employed by the parent company, 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

Executive Management's bonuses are performance dependent and based on individual operational objectives which feed into Bionor's overall strategic goals. The annual bonus will be limited to a maximum of 25% of base salary for the Executive Management. Discretionary bonus for extraordinary performances may be awarded. At present only the Chief Executive Officer is employed by the Norwegian parent company and decision on whether or not to award the Chief Executive Officer with a bonus and the level of such bonus is at the discretion of the Board of Directors.

Long term and other incentive schemes

Bionor Pharma ASA has a share option program for its Executive Management and key employees. The purpose of this 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 attract and retain competent high level managers. For further details on the program see note 5.

Benefits in kind

The company 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.

Remuneration to board members

2015

Amounts in NOK thousands	Board remuneration	Committee fees	Other	Total remuneration 2015
Russell George Greig, Chairman (from May 2015)	200.0	-		200.0
Lars H. Høie, Chairman (until May 2015)	200.0	157.5		357.5
Øystein Soug, Deputy Chairman	237.5	150.0		387.5
Jerome Zeldis, Director	187.5	50.0		237.5
Benedicte Fossum, Director	187.5	125.0		312.5
Marianne Kock, Director	187.5			187.5
Bernd Seizinger, Director	100.0	50.0		150.0
Thomas Hofstaetter, Director	100.0	25.0		125.0
Kirsten Drejer, Director	100.0			100.0
Total remuneration 2015	1,500.0	557.5	-	2,057.5

2014

Amounts in NOK thousands	Board remuneration	Committee fees	Other	Total remuneration 2014
Lars H. Høie, Chairman	400.0	50.0		450.0
Øystein Soug, Deputy Chairman	225.0	50.0		275.0
Jerome Zeldis, Director	175.0	50.0		225.0
Benedicte Fossum, Director	175.0	50.0		225.0
Marianne Kock, Director	175.0	-		175.0
Total remuneration 2014	1,150.0	200.0	-	1,350.0

Remuneration to Executive Management and Board of Directors is based on accrued amounts in the financial statements. The fee to the Board is set by the Group's Annual General Assembly and paid retroactively. The accrued remuneration is based on Management's best estimate.

Auditor's remuneration

Amounts in NOK thousands	2015	2014
Audit fee	259	438
Tax advisory services	413	87
Other audit related services	636	-
Other services non-audit related	-	81
Total	1,308	606

All fees above are excluded VAT.

NOTE 20 GOING CONCERN

The Group's working capital is based on current cash flow prognoses considered not to be sufficient for Bionor to continue as a going concern for the next 12-months period. See also note 5.

11 February 2016, the company's shareholders approved the completion of a private placement raising NOK 45 million in gross proceeds, which is expected to fund the company through the first half of 2016, and a subsequent repair offering for existing shareholders. On 3 March 2016, Bionor announced that the repair offering raised gross proceeds of NOK 16 million.

AUDITOR'S REPORT 2015

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Ernst & Young AS

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Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting of
Bionor Pharma ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Bionor Pharma ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2015, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

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

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion

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

Emphasis of matter

According to Note 16 and Note 21 to the financial statements for the Group and information in the Director's report, the Groups working capital is, based on current cash flow prognoses, considered not to be sufficient to be able to continue as a going concern for the next 12 month period. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Groups ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statement on corporate governance

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

Opinion on registration and documentation

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

Oslo, 31 March 2016
ERNST & YOUNG AS

Tommy Romskaug
State Authorised Public Accountant (Norway)

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BIONOR