BIONOR PHARMA ASA / INTERIM FINANCIAL REPORT
1 JANUARY – 31 DECEMBER 2015 / UNAUDITED
12 FEBRUARY 2016

BIONOR

Q4 and Full Year 2015

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HIGHLIGHTS Q4 2015

In the fourth quarter of 2015, Bionor accelerated the company's revitalization by executing the updated business strategy and development plans presented at the company's Capital Markets Day in October 2015. The first clinical trial application for BIOSKILL was submitted, and most importantly, the REDUC trial successfully provided proof of the 'Shock & Kill' principle.

- 21 December, Bionor announced successful completion of the HIV 'Shock & Kill' trial REDUC with Vacc-4x and romidepsin, which met its endpoints by demonstrating control of viral load and a reduction of the latent HIV reservoir
- 17 November, Bionor announced the submission of a clinical trial application (CTA) to the Danish Medicines Agency requesting approval to initiate BIOSKILL in Denmark
- 30 October, Bionor announced a strategic augmentation of its Clinical Advisory Board to emphasize the company's focus on functional HIV cure
- 7 October, Bionor hosted a Capital Markets Day in Oslo, Norway to present its revised company strategy and development plans for advancing toward a functional cure for HIV
- Net cash flow in Q4 2015 was NOK -25.2 million (Q4 2014: NOK -10.6 million)
- Cash and cash equivalents at 31 December 2015 was NOK 10.6 million (30 December 2014: NOK 93.1 million)

EVENTS AFTER THE BALANCE SHEET 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 a subsequent repair offering for existing shareholders
- 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 GUIDANCE FOR 2015 AND 2016

For the full year 2015, Bionor met its financial guidance for 2015 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 the full year 2016, Bionor expects the Core cost base to be in the range of NOK 58-66 million.

DAVID HORN SOLOMON, PRESIDENT AND CEO COMMENTED:

"The fourth quarter of 2015 was a period with significant advances in Bionor. The findings in the REDUC trial announced in December 2015 fostered worldwide and substantial interest in Bionor from patients, caregivers and the media. We also succeeded in attracting additional functional HIV cure experts to our Clinical Advisory Board, and we submitted the first clinical trial applications for BIOSKILL. Finally, I am grateful for the strong support from new and existing shareholders in the recently completed private placement. We can now diligently complete the preparation of the BIOSKILL trial and other clinical studies. With all these major events, we are highly encouraged to continue our pioneering work to develop a functional cure for HIV."

TELECONFERENCE 12 FEBRUARY 2016 AT 13:00 CET

Bionor will host a conference call for analysts and investors 12 February 2016 at 13:00 CET at which David H. Solomon, President and CEO, and Jens Krøis, CFO, will provide an update of the business. To attend the conference, please use the participant code 1059479.

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A presentation will be available on the company's website prior to the call. A webcast of the conference call will be available during and after the event. Link to webcast: http://edge.media-server.com/m/p/wrriyzu2.

FURTHER INFORMATION

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STRATEGIC AND FINANCIAL UPDATE

Bionor's strategy is to advance Vacc-4x in combination with other medicines to develop a possible functional HIV cure. Bionor has adopted a 'Shock & Kill' clinical strategy employing Vacc-4x ('Kill') as a core treatment in combination with a latency reversing agent ('Shock'), and anticipates that an immune regulating agent will also be needed as part of a triple regimen combination treatment to achieve functional HIV cure.

Bionor believes that the following key strengths and characteristics are critical for the company to create long-term value:

- First mover potential for advancing toward a possible functional cure for HIV due to early adoption of a recognized therapeutic approach ('Shock & Kill')
- Strong clinical results and development strategy with clearly defined steps to value creation
- Targeting global HIV market with significant commercial potential and unmet medical need among HIV patients for a functional cure
- 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
- Experienced Executive Management team and Board of Directors with proven life science track records
- International Clinical Advisory Board with world-leading key opinion leaders in HIV/AIDS treatment and collaborations with HIV experts.

On 21 December 2015, Bionor announced that its HIV 'Shock & Kill' trial REDUC with Vacc-4x and romidepsin successfully met its endpoints by demonstrating control of viral load and reducing latent HIV reservoir.

It is encouraging and supportive of Bionor's clinical 'Shock & Kill' approach that viral load remained below the level of detection in the majority of patients despite viral activation by romidepsin, and that latent reservoir was reduced.

Bionor is currently planning BIOSKILL (BIOnor Shock and KILL), a Phase II, randomized, double blind, placebo controlled clinical trial 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. The BIOSKILL clinical trial is designed to provide double blinded and placebo controlled evidence that Vacc-4x can contribute to controlling viral load and reduce latent reservoir size by comparing a treatment regimen using Vacc-4x and romidepsin together with a treatment regimen of romidepsin alone.

On 11 February 2016, the company's shareholders approved at an extraordinary general meeting 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. The company is planning to conduct an additional equity offering during the first half of 2016, before initiation of the BIOSKILL clinical trial.

In total, Bionor's capital need to execute its development strategy toward a functional HIV cure is estimated to be approximately NOK 375-425 million, from third quarter 2016 to first quarter 2019, equivalent to the period from initiation of the BIOSKILL clinical trial until 6-9 months after the expected announcement of final results of the BIOSKILL clinical trial, which is projected to be the next major value inflection point for the company. Other main clinical activities covered by this estimated long-term capital need are:

- An exploratory Phase I/II trial to evaluate an immune regulating agent in combination with Vacc-4x
- An exploratory Phase I/II trial to evaluate a latency reversing agent with a more convenient route of administration than what is currently possible with romidepsin
- A Phase II trial to document the effect of GM-CSF on Vacc-4x immunogenicity.

MANAGEMENT'S REVIEW

REDUC clinical trial – Vacc-4x + romidepsin

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 were:

- Viral load remained below the level of detection in 11 out of 17 patients on cART despite latent HIV reservoir reactivation. Four patients 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 40%
- The combination of Vacc-4x and romidepsin was safe and well tolerated.

The control of viral load in the majority of patients suggests that Vacc-4x leads to killing of infected CD4+ T cells. In comparison, antiretroviral drugs inhibit viral replication, but do not kill infected immune cells. This difference is distinct in the different results observed in REDUC Part A and Part B. In REDUC part A, where patients received romidepsin, but not Vacc-4x, while on ART, viral load (viral RNA in the blood) increased to detectable levels after romidepsin infusions in five

out of six patients. With time, the released virus was cleared and no new virus produced because the patients were on ART.

In Part B, 11 out of 17 patients had no detectable viral load despite documented activation by romidepsin to the same levels as in Part A. This indicates that activated virus producing cells had been killed due to treatment with Vacc-4x (and not ART) before they could release virus into the blood.

It is supportive of Bionor's clinical 'Shock & Kill' approach that viral load remained below the level of detection in the majority of patients and that latent reservoir was reduced by 40% while patients were on ART. 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. Especially, it is encouraging that viral load remained below the limit of detection (20 copies/ml) in 11 of 17 patients throughout the trial while on cART despite a documented viral reactivation in CD4+ T cells following romidepsin infusions. Of the six patients with detectable viral load, four patients had measureable but low HIV in the blood after one of the three romidepsin infusions, and only 21-59 copies/ml. Importantly, only two of 17 patients had detectable viral load after each of the three romidepsin infusions.

Latent reservoir size
Three different assays were selected to measure the effect 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.

All three assays showed a reduction of the latent HIV reservoir. Measured by Total HIV DNA, a significant reduction of 40% (p=0.012) was achieved, and likewise, a 40% (p=0.019) reduction in latent HIV reservoir size was measured by Viral Outgrowth Assays (qVOA). In REDUC Part A, in which the patients received romidepsin infusions without preceding vaccination with Vacc-4x, the size of the latent reservoir was not affected. Data for Integrated HIV DNA will be presented in a follow up statement from the company later in the first quarter of 2016.

Time to rebound
The median time to re-initiation of cART following treatment interruption was 24.5 days, 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. These considerations have previously been described in the company's announced development strategy.

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 GM-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 GM-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.

BIOSKILL clinical trial – Vacc-4x + romidepsin

Bionor expects to initiate the 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 patients' 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.

On 30 October 2015, Bionor announced that it had strengthened its Clinical Advisory Board with the appointment of Drs. Steven G. Deeks, Christine Katlama and Daniel Kuritzkes as part of the company's revitalized strategic focus on Vacc-4x and functional HIV cure. The Clinical Advisory Board provides critical contributions to the development strategy and design of clinical trials, including BIOSKILL.

EVENTS AFTER THE BALANCE SHEET DATE

On 11 February 2016, the company's shareholders approved at an extraordinary general meeting 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 in the second half of February 2016. The company is planning to conduct an additional equity offering during the first half of 2016, before initiation of the BIOSKILL clinical trial.

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.

FINANCIAL REVIEW

Income statement

Revenues in the fourth quarter (Q4) of 2015 were NOK 0.0 million (Q4 2014: NOK 0.1 million). Revenues in the full year (FY) of 2015 were NOK 0.1 million (FY 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 the full year of 2015 (FY 2014: NOK 1.2 million).

Employee Benefit Expenses in the fourth quarter of 2015 was NOK 7.9 million (Q4 2014: NOK 2.9 million). The increase was mainly due to the establishment in the first half of 2015 of a strong management team to support Bionor's strategy and clinical development program. Employee Benefit Expenses in the full year of 2015 was NOK 26.5 million (FY 2014: NOK 13.8 million). The increase was primarily due to the management expansion in 2015, set against a reversal of share-based payment in 2014.

Other operating expenses in the fourth quarter of 2015 was NOK 20.6 million compared to NOK 9.5 million in the fourth quarter of 2014. 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. For the full year of 2015, Other operating expenses was NOK 59.8 million (FY 2014: NOK 45.1 million). External R&D expenses, including the effects of government grants received, in the fourth quarter of 2015 were NOK 4.4 million (Q4 2014: NOK 4.8 million), primarily related to finalization of the REDUC trial and preparation of BIOSKILL. External R&D expenses in the full year of 2015 were NOK 23.1 million (FY 2014: 30.2 million). Government grants received in the fourth quarter of 2015 were NOK 4.2 million (Q4 2014: NOK 4.8 million) and NOK 14.3 million in the full year of 2015 (FY 2014: NOK 17.1 million).

Total operating expenses in the fourth quarter of 2015 was NOK 31.4 million compared to NOK 15.2 million in the fourth quarter of 2014. Total operating expenses for the full year of 2015 was NOK 97.5 million (FY 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. In the fourth quarter of 2015, the Core cost base amounted to NOK 24.1 million (Q4 2014: NOK 7.6 million). For the full year of 2015, the Core cost base amounted to NOK 63.1 million (FY 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 (see Table 1).

Depreciation and amortization in the fourth quarter of 2015 amounted to NOK 2.9 million (Q4 2014: NOK 2.8 million). Depreciation and amortization in the full year of 2015 amounted to NOK 11.3 million (FY 2014: NOK 11.2 million).

Net financial items were NOK 0.2 million in the fourth quarter of 2015 (Q4 2014: NOK 0.3 million) and NOK 0.7 million in the full year of 2015 (FY 2014: NOK 1.4 million). The reduction in Net financial items for the full year of 2015 was due to lower average cash position and lower interest income from lower interest rates.

Loss before tax and net loss in the fourth quarter of 2015 was NOK -31.2 million (Q4 2014: NOK -14.7 million). Result before tax and net loss in the full year of 2015 was NOK -96.7 million (FY 2014: NOK -68.1 million).

Cash flow and liquidity

Cash flow from operations in the fourth quarter of 2015 was NOK -23.3 million (Q4 2014: NOK -10.6 million) and NOK -82.1 million for the full year of 2015 (FY 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 the fourth quarter of 2015 was NOK -25.2 million (Q4 2014: NOK 10.6 million). Net cash flow for the full year of 2015 was NOK -82.5 million (FY 2014: -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 the fourth

TABLE 1: Core cost base

Amounts in NOK millions	Q4 2015	Q4 2014	FY 2015	FY 2014
Employee Benefit Expenses	7.9	2.9	26.5	13.8
+ Other operating expenses	20.6	9.5	59.8	45.1
- External R&D expenses	4.4	4.8	23.1	30.2
Core cost base	**24.1**	**7.6**	**63.1**	**28.6**

Due to rounding differences certain summations might not add up. Please refer to note 4 on page 14 for further specification of external R&D expenses.

quarter of 2014. The cash position in 2014 was influenced by the issue of share capital of NOK 50.1 million in Q3 2014.

Financial position

Total assets was NOK 97.4 million at the end of the fourth quarter of 2015 compared to NOK 187.4 million at the end of the fourth quarter of 2014. The main reason for the decrease was the reduction of the Group's Intangible assets due to Depreciations and amortizations and due to reduction of Cash and cash equivalents. Equity ratio amounted to 68.0 percent at the end of the fourth quarter of 2015 compared to 85.6 percent at the end of the fourth quarter of 2014.

Related party transactions

There have been no major transactions with related parties in the full year of 2015.

Risk factors

The company's business is exposed to a number of general operational and financial risks that have been explained in Bionor's Annual Report 2014 available on the company's website www.bionorpharma.com.

FINANCIAL GUIDANCE

2015

For the full year 2015, Bionor met its financial guidance for 2015 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.

2016

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

2016 FINANCIAL CALENDAR

12 February	Q4 2015 Interim Financial Report
15 March	Annual Report 2015
21 April	Annual General Meeting
11 May	Q1 2016 Interim Financial Report
23 August	Q2 2016 Interim Financial Report
16 November	Q3 2016 Interim Financial Report

On 7 October 2015, Bionor hosted a Capital Markets Day in Oslo, Norway. For a replay of the webcast, please visit http://webtv.hegnar.no/presentation.php?webcastId=25220408.

DECLARATION BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER OF BIONOR PHARMA ASA

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2015, which have been prepared in accordance with IAS 34 Interim Financial Reporting, provide a true and fair picture of the company's assets, liabilities, financial position and results of operations.

We declare, to the best of our knowledge, that the interim report gives a true and fair overview of important events in the reporting period and their impact on preliminary results, the most important risk and uncertainties for the remaining six months of the accounting period, and significant transactions with related parties.

Russell G. Greig, Chairman

Øystein Soug, Deputy Chairman

Thomas Hofstaetter

Bernd R. Seizinger

Kirsten Drejer

Benedicte Fossum

Marianne Kock

Jerome B. Zeldis

David Horn Solomon, CEO

DISCLAIMER:
THE BOARD OF DIRECTORS EMPHASIZE THAT IN GENERAL THERE IS SIGNIFICANT UNCERTAINTY WITH REGARDS TO FORWARD LOOKING STATEMENTS GIVEN IN THE REPORT.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

BIONOR PHARMA GROUP

Amounts in NOK thousands	Note	Q4 2015	Q4 2014	FY 2015	FY 2014
Total revenue		15	130	85	1,766
Cost of goods sold		-	-	-	(1,222)
Employee Benefit Expenses	3	(7,909)	(2,875)	(26,465)	(13,781)
Depreciation and amortisation		(2,909)	(2,793)	(11,287)	(11,175)
Other operating expenses	4	(20,605)	(9,527)	(59,786)	(45,064)
Total operating expenses		(31,423)	(15,195)	(97,538)	(71,242)
Operating loss		(31,408)	(15,065)	(97,453)	(69,476)
Finance income		849	689	2,143	2,135
Finance costs		(644)	(359)	(1,416)	(714)
Net financial items		205	330	728	1,421
Loss before tax		(31,203)	(14,736)	(96,726)	(68,054)
Income tax expense		-	-	-	-
Loss after tax		(31,203)	(14,736)	(96,726)	(68,054)
Net loss	5	(31,203)	(14,736)	(96,726)	(68,054)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(249)	-	(51)	-
Total comprehensive income for the period		(31,452)	(14,736)	(96,777)	(68,054)
Earnings (loss) per share (NOK) basic and diluted:		(0.13)	(0.06)	(0.39)	(0.29)

FY 2014 financial statements are audited. All other financial statements are unaudited.
Due to rounding differences certain summations might not add up.
The notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BIONOR PHARMA GROUP

Amounts in NOK thousands	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Goodwill		8,715	8,715
Intangible assets		47,894	58,670
Property, plant and equipment		3,634	2,311
Other long term receivables		3,880	971
Total non-current assets		64,122	70,666
Current assets			
Receivables			
Accounts receivables		18	1,383
Other short term receivables		22,710	22,297
Cash and cash equivalents		10,571	93,096
Total current assets		33,300	116,776
Total assets		97,422	187,443
EQUITY AND LIABILITIES			
Equity			
Share capital	6	62,328	62,082
Share premium		266,350	265,183
Share-based options	3	5,539	4,409
Retained earnings and reserves		(268,008)	(171,232)
Total equity		66,209	160,441
Liabilities			
Current liabilities			
Accounts payables		4,921	3,631
Public duties payable		12,477	10,446
Other current liabilities		12,259	11,416
Provisions		1,557	1,509
Total liabilities		31,213	27,002
Total Equity and Liabilities		97,422	187,443

31.12.2014 financial statements are audited. All other financial statements are unaudited.
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

BIONOR PHARMA GROUP

Amounts in NOK thousands	Share capital	Share premium	Share-based options	Retained earnings	Total equity
Equity at 1 January 2015	62,082	265,183	4,408	(171,233)	160,441
Share-based payment	-	-	1,131	-	1,131
Net loss for the period	-	-	-	(96,726)	(96,726)
Other comprehensive income for the period	-	-	-	(51)	(51)
Issue of share capital	79	-	-	-	79
Transaction cost issue of share capital	-	-	-	-	-
Exercise of options and warrants	167	1,167	-	-	1,333
Equity at 31 December 2015 (unaudited)	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	-	-	(1,565)	-	(1,565)
Total comprehensive income for the year	-	-	-	(68,054)	(68,054)
Issue of share capital	5,625	47,250	-	-	52,875
Transaction cost issue of share capital	-	(2,818)	-	-	(2,818)
Equity at 31 December 2014	62,082	265,183	4,408	(171,233)	160,441

31 December 2015 financial statements are unaudited. All other financial statements are audited.
Due to rounding differences certain summations might not add up.
The notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

BIONOR PHARMA GROUP

Amounts in NOK thousands	Q4 2015	Q4 2014	FY 2015	FY 2014
OPERATING ACTIVITIES				
Profit (loss) before tax	(31,203)	(14,736)	(96,726)	(68,054)
Depreciation and amortisation	2,909	2,793	11,287	11,175
Share-based payments	650	(1,059)	964	(1,894)
Change in accounts receivables	39	(1,383)	1,364	(1,150)
Change in accounts payables	(1,239)	(652)	1,290	(880)
Change in other assets and liabilities	5,544	4,462	(248)	(3,665)
Net cash from operating activities	(23,301)	(10,575)	(82,068)	(64,467)
INVESTING ACTIVITIES				
Payments of property, plant and equipment	(1,869)	-	(1,869)	-
Net cash flows (used in)/from investing activities	(1,869)	-	(1,869)	-
FINANCING ACTIVITIES				
Proceeds from issue of share capital	-	-	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	35,741	103,671	93,096	107,506
Net increase/(decrease) in cash and cash equivalents	(25,170)	(10,575)	(82,525)	(14,410)
Effect of currency translation of cash and cash equivalents	-	-	-	-
Cash and cash equivalents at period end	10,571	93,096	10,571	93,096

FY 2014 financial statements are audited. All other financial statements are unaudited.
Due to rounding differences certain summations might not add up.
The notes are an integral part of these consolidated financial statements.

SELECTED NOTES TO THE ACCOUNTS

BIONOR PHARMA GROUP

Note 1 Basis for preparation

The financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and as adopted by EU. All significant accounting principles applied in the consolidated financial statements are described in the Annual Report 2014. No new standards have been applied in 2015 and the Interim Financial Report 1 January – 31 December is based on the accounting principles described in the Annual Report 2014.

Note 2 Segment

The main focus of the Bionor Pharma Group is development of vaccines for viral diseases. This is reflected in the Group's organization and management reports, and is as such the Groups only reporting segment.

Note 3 Share based payment

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 the end of 2014, share options vested over a three-year period and 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. Key employees were granted a total of 2,350,000 share options in August 2015 as part of the company's incentive program. 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.

SELECTED NOTES TO THE ACCOUNTS

BIONOR PHARMA GROUP

Note 3 Share based payment – continued

	No. of options	Average Price
Options fully vested	3,310,003	2.10
2016 Q1	729,166	2.37
2016 Q2	386,250	2.63
2016 Q3	792,709	2.11
2016 Q4	303,124	2.21
2017 Q1	303,124	2.21
2017 Q2	386,453	2.29
2017 Q3	303,124	2.21
2017 Q4	303,124	2.21
2018 Q1	303,126	2.21
2018 Q2	303,127	2.21
2018 Q3	303,127	2.21
2018 Q4	303,127	2.21
2019 Q1	198,959	2.13
2019 Q2	146,875	2.05
2019 Q3	97,915	2.05
Options not vested	5,163,330	2.25
Total number of outstanding options	8,473,333	2.19

Exercise price	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

	FY 2015		FY 2014	
	No. of options	Average price	No. of options	Average price
Outstanding options 1 January	5,810,000	2.23	7,980,000	2.23
Granted options in period	4,850,000	2.05	1,300,000	2.55
Forfeited options in period	1,520,000	2.23	3,470,000	2.39
Exercised options in period	666,667	2.00	0	-
Outstanding options 31 December	8,473,333	2.19	5,810,000	2.21

SELECTED NOTES TO THE ACCOUNTS

BIONOR PHARMA GROUP

Note 4 Other operating expenses

Below table shows specification of External R&D expenses and Other operating expenses.

Amounts in NOK thousands	Q4 2015	Q4 2014	FY 2015	FY 2014
Laboratory and preclinical R&D expenses	38	(792)	(2,018)	(4,008)
Production cost	(470)	(226)	(812)	(4,489)
Clinical development expenses	(8,156)	(8,569)	(34,590)	(37,852)
Regulatory and quality assurance	-	(81)	(51)	(949)
Government grants	4,185	4,830	14,328	17,061
External R&D expenses	**(4,404)**	**(4,838)**	**(23,143)**	**(30,236)**
Administrative expenses	(16,201)	(4,689)	(36,643)	(14,827)
Other operating expenses	**(20,605)**	**(9,527)**	**(59,787)**	**(45,064)**

Note 5 Deferred tax carried forward

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

Total loss carried forward was NOK 552.3 million as of 31 December 2014.

Note 6 Shares and Share capital

Amounts in NOK thousands	Q4 2015	Q4 2014	FY 2015	FY 2014
Share capital at period start	62,328	62,082	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**	**62,328**	**62,082**

Amounts in NOK thousands	Q4 2015	Q4 2014	FY 2015	FY 2014
Outstanding number of shares at period start	249,310	248,326	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**	**249,310**	**248,326**

The par value per share is NOK 0.25. Change in share capital in 2014 reflects the equity issue through a private placement 4 September 2014. Change in share capital in 2015 reflects the exercised option in June 2015 and a share issue to the Board in July 2015.

SELECTED NOTES TO THE ACCOUNTS

BIONOR PHARMA GROUP

Note 7 Off-balance sheet obligations

The Group has contractual obligations, such as rental and operational lease obligations. As of 31 December 2015 the Group's contractual obligations amounted to NOK 26,018 thousand. Of these, the contractual 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 contractual obligations (off balance sheet) 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	1,103	239	-	2,826
Total	**9,589**	**3,465**	**11,014**	**1,949**	**26,018**

Note 8 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.

On 11 February 2016, the company's shareholders approved at an extraordinary general meeting 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. The company is planning to conduct an additional equity offering during the first half of 2016, before initiation of the BIOSKILL clinical trial.

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