BIOTEC PHARMACON

Q3 2019

Third quarter 2019

Highlights for Q3 2019

- Group sales marginally up from last year to NOK 22.5 million (Q3 2018: NOK 22.1 million).
- Gross profit for the Group improved 8% to NOK 15.7 million (Q3 2018: NOK 14.6 million) due to increased sales in the enzyme business.
- ArcticZymes had third quarter sales of NOK 12.0 million growing by 23% (Q3 2018: NOK 9.8 million).
- Woulgan® had lower than expected sales. Sales were NOK 1.1 million but shows growth compared to same quarter last year. Strategy to be reviewed by management and the Board of Directors.
- The Group delivered positive EBITDA with NOK 0.8 million (Q3 2018: NOK 0.6 million).
- Cash-flow for the quarter was NOK 0.7 million (Q3 2018: NOK -7.0 million).

Key Figures

NOK 1.000	Q3 2019	Q3 2018*	Change	YTD 2019	YTD 2018*	Change
Sales	22 476	22 148	+1%	54 145	47 261	+15%
Total revenues	23 956	23 093	+4%	58 818	51 324	+15%
Operating expenses	-16 405	-14 978	+9%	-47 621	-44 530	+7%
EBITDA	802	558	+58%	-3 598	-7 965	+55%
EBIT	-520	-729	+33%	-7 687	-11 831	+36%
Cash & cash equivalents	22 055	28 154	-22%	22 055	28 154	-22%

**2018 figures are adjusted according to IFRS16 for comparison purposes*

Introduction

Biotec Pharmacon ASA, (hereinafter "Biotec" or "the Company") is a Norwegian life sciences company focused on two technology platforms for specialised, novel enzymes and immunomodulating beta-glucan products.

Operational review

ArcticZymes

Commercial

A strong momentum continues in sales performance attributing to ArcticZymes best quarterly performance so far. Much of the growth in sales is through new business development and broader sales across the product range where ArcticZymes has become less dependent on its main customer. In particular, the major contributing factor to sales growth is in the therapeutics segment through the Salt Active Nuclease (SAN) product line.
During the quarter, ArcticZymes was audited by one of the therapeutic customers who represents a world leading authority in the cell and gene therapy segment. ArcticZymes was approved as a raw material supplier for utility of its SAN products in the customers' cGMP (current Good Manufacturing Production) gene therapy manufacturing process. This represents an important benchmark where ArcticZymes offering meets the strict industrial quality requirements demanded by cGMP manufacturers.
ArcticZymes secured a new supply agreement for SAN products with a large and renowned international company who utilize the SAN technology in gene therapy. ArcticZymes expects to execute further supply agreements over the coming years ensuring mutual long-term commitments in driving value.

Innovations

In broadening the offering to therapeutic customers, ArcticZymes launched Triton FREE SAN HQ. This is in alignment with ArcticZymes commitment to continue maintaining a completely EU REACH compliant product portfolio after Triton X-100 becomes subject to authorization in January 2021. Multiple European customers have requested and tested the new formulation that is now commercially available for all customers irrespective of geography.
ArcticZymes philosophy towards new product development is steered by engagement and collaboration with customers. A new nuclease enzyme which has similar but different properties to the current SAN enzymes is in the pipeline. The new enzyme will complement the offering to therapeutics customers allowing for a broader utility of ArcticZymes nucleases across a wider range of viruses used in cell and gene therapy as well as molecular biology and diagnostics applications. The new enzyme will be launched during the fourth quarter.
The broader utility of SAN products beyond therapeutics has already been mentioned. A recent example is a noticeable and high impact Nature Biotechnology article published by one of ArcticZymes collaborators and a well-known Key Opinion Leader (Dr Justin O'Grady, Quadram Institute Bioscience, UK)[1]. The article demonstrates the novel utility of SAN in Molecular Diagnostics. The application is highly relevant to ArcticZymes' commercial customers and has already attracted attention with respect to new business opportunities.

[1] *Link to Dr. O'Grady's article:* https://www.nature.com/articles/s41587-019-0156-5

Growth Initiatives

The management of ArticZymes has presented a first business plan for the next 6 years showing strong organic growth potential.
Together with industry consultants, ArcticZymes continues discussions with several European based companies to potentially leverage complements and synergies within the respective businesses.

Biotec BetaGlucans

Biotec's subsidiary, Biotec BetaGlucans, develops, produces and markets immunomodulating beta-glucans. It addresses high unmet healthcare needs, such as the healing of chronic wounds by re-activating the immune

system and a possible adjuvant in vaccines against relapse of a certain cancer type.

BetaGlucans – Woulgan®

The focus is to drive sales in existing and new European markets through distribution partners, based on a differentiated approach to active wound healing. Outside of Europe and especially North America the aim is to identify industrial partners utilizing the benefits of SBG in own brands and products.

Markets & target groups

Most wound care products are used in outpatient settings, either in nursing homes or homecare. This requires good coverage of the market to generate substantial recurring sales revenues.

Sales for the third quarter were lower than expected.

Activities in the D-A-CH region should lead to a listing in Austria in the beginning of 2020 and discussion about Switzerland are ongoing. Increased sales are difficult to predict for 2020.

Sales in the UK are behind expectations. Our distributor has now accepted to increase the salesforce four-fold.

Sales in the Nordic markets are still a challenge. Finland is an exception and Sweden is a potential future success, with two new tenders active as of April 1, 2019, but it will require "feet on the ground" to capture these new opportunities.

Discussions with other distributors and an initiative to enter cooperation's with companies of non-competing active solutions, to reduce cost and increase effects are on-going.

As a result of the quarterly results and the more fundamental go-to-market challenges, management is reviewing our current strategy and focus of the group.

Woulgan® - Research and development

New products containing SBG® as active ingredient are being developed with significant financial support by the 4-year BIA-grant from The Norwegian Research Council. The company are establishing cooperation with state-of-the-art research institutes, CMOs and industrial partners to secure development and scale-up capabilities for these novel products.

Reimbursement decision in Germany

The new Law on Security in Medicinal Supplies (GSAV) was published in August, which means that all products with a pharmaceutical, metabolic or immunologic effect (like Woulgan) are out of the standard category of reimbursable dressings and need to go through a simplified benefit assessment to get reimbursement in the new category, "Other Wound Care Products". The grace period for these products is one year from the time guidelines are being published. This is planned to happen mid-2020.

Many companies find they have the required documentation already, as do we, but it is not clarified at present.

BetaGlucans – Consumer and Animal Health

Biotec showed unexpectedly strong growth within the consumer health franchise adding new customers and thus decreasing the dependency on major accounts. Customers are from both Asia, Europe and USA.

Betaglucan sales within animal health are dependent on how much our customers sell to mainly marine farmers. Even though products containing our Betaglucans benefits from the scientific basis, sales also depend on environmental aspects like temperature etc. In order to expand sales, Biotec entered into a distribution agreement with a large pet food pre-mixer, thus giving Biotec Betaglucans access to the pet food business in Europe.

Both product areas are characterised as mostly business-to-business, where it takes time to develop a sales lead into a sales order. In most

cases, the beta-glucans are integrated as ingredients into customers' final products.

BetaGlucans – Adjuvant

The two-armed randomised phase II neuroblastoma vaccine study at Memorial Sloan Kettering Cancer Center (MSKCC) has been expanded to recruit up to 294 patients. By end of September, the study had recruited 260 patients. The increased number of patients to be included reflects a continued promising effect of this combined treatment, with SBG® as an oral adjuvant in addition to the cancer vaccine.

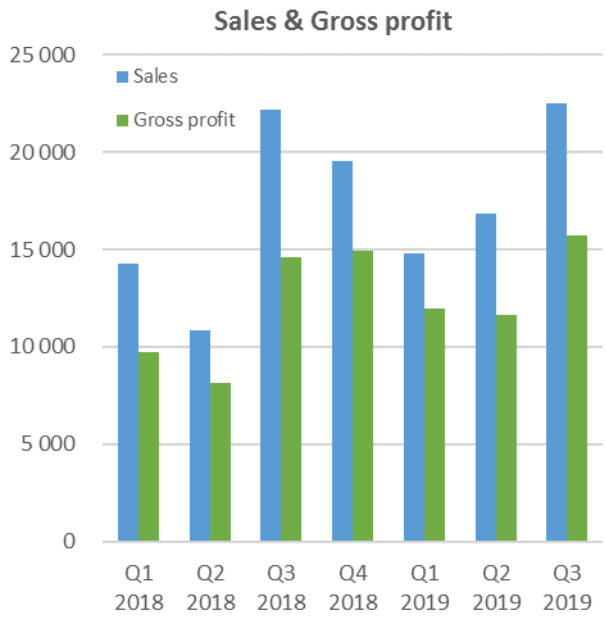
Biotec continues the discussions with the vaccine owner, Y-Mabs, and MSKCC on how to proceed in order to bring this vaccine/SBG® treatment regime forward to registration.

Organisation

The Group had 41 full-time and part-time employees, which includes 5 consultants on long-term contracts.

Financial review

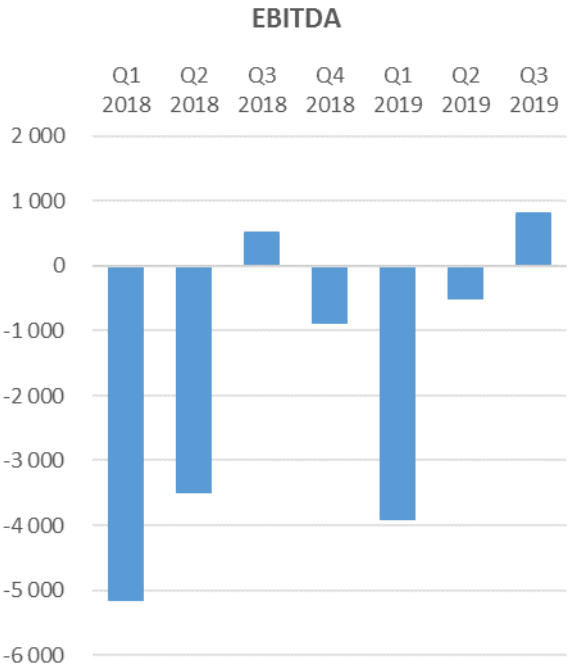
Biotec reported sales of NOK 22,5 million (Q3 2018: 22.1 m) for the third quarter of 2019. Earnings before tax, interest, depreciation and amortisation (EBITDA) were NOK 0.8 million (Q3 2018: 0.6 m) and earnings before interest and tax (EBIT) were NOK -0.5 million (Q3 2018: -0.7 m) in the quarter. Net financial income was a profit of NOK 0.2 million (Q3 2018: -0.01 m).



ArcticZymes had third quarter sales of NOK 12.0 million (Q3 2018: NOK 9.8 m).

Sales for the BetaGlucans division were NOK 10.5 million (Q3 2018: NOK 12.4 m). Reduction in sales is primarily explained by lower animal health sales.

The improved EBITDA for Q3 2019, compared to the same quarter last year is mainly because of improved enzymes sales.



Note: EBITDA in all quarters of 2018 has been adjusted for comparison purposes after IFRS 16 was implemented on January 1 2019.

On January 1. 2019, Biotec Pharmacon ASA and its subsidiaries implemented IFRS 16 "Leases". This means that some operating expenses with longer commitments need to be valued over the lifetime of the contract and featured on the asset side of the balance sheet. This asset is then depreciated over the lifetime of the contract. For Biotec Pharmacon this has the effect that most of the property, plant & equipment expenses are moved from operating expenses and are depreciated.

The Company recognised no income tax in the third quarter of 2019.

Financial position

Total equity amounted to NOK 46.9 million at the end of the third quarter 2019 compared to NOK 53.5 million at the end of 2018.

Total assets were NOK 77.5 million at the end of the third quarter of 2019, down from NOK 85.3 million at the end of 2018.

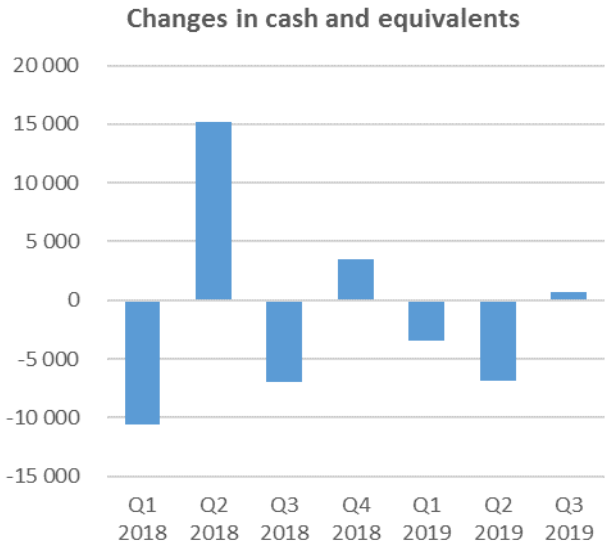
The Company has no interest-bearing debt.

Total equity and assets per 31.12.2018 have been adjusted for comparison purposes after IFRS 16 "Leases" was implemented.

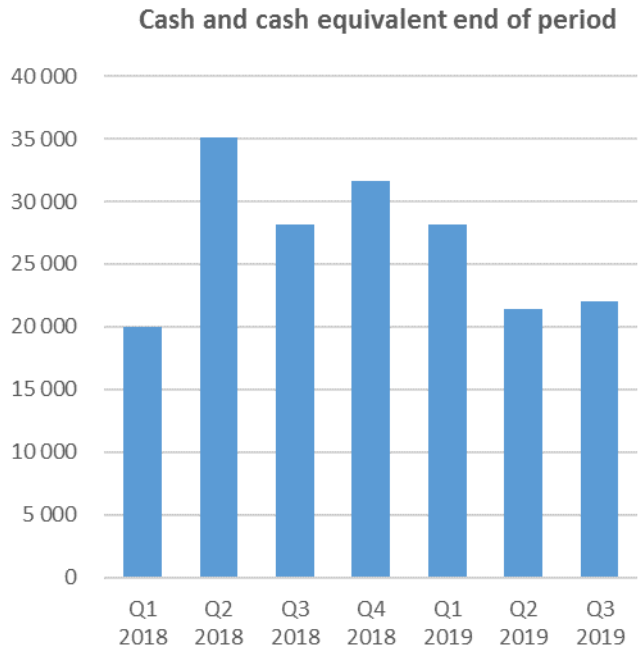
Cash flow

Net cash flow from operating activities was NOK 1.9 million in the third quarter, compared to NOK -5.6 million in the same quarter in 2018.

The operating cash flow reflects a change in working capital of NOK 4.3 million compared to the end of 2018. This is explained by an increase in receivables by NOK 5.9 million, decrease in inventory of NOK 1.1 million and an increase in liabilities of NOK 0.5 million.



Changes in cash and cash equivalents was NOK 0.7 million in the third quarter. This generated a cash balance of NOK 22.1 million at the end of the quarter, compared to NOK 31.7 million at the end of 2018.



Shareholder matters

The total number of issued shares was 48,334,673 at the end of the third quarter of 2019. See the annual report for 2018 for further details on option programmes.

Risk factors

Biotec´s business is exposed to several risk factors that may affect parts or all of the Company's activities.

There are no substantial changes in the risk factors, which are described in the annual report for 2018 and published on the Company's website www.biotec.no.

Outlook

The Company's outlook for 2019 has slightly changed: the aims are to grow sales organically across both divisions and continue to reduce cash consumption in 2019. The Company will try to balance low sales growth in Woulgan® with increased sales in animal health and consumer health.

Within ArcticZymes, the priority will be growing sales of the current portfolio as well as launching new products and identifying inorganic growth opportunities. The key to this business is to offer the range of products with the highest customer demand.

Within Biotec BetaGlucans, Biotec will assess the lower than expected sales for Woulgan® in Q3 and review the strategy for the years to come.

The interim financial statement 30. September 2019 (Q3)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q3 2019	Q3 2018*	YTD 2019	YTD 2018*
Sales revenues	22 476	22 148	54 145	47 261
Other revenues	1 480	945	4 673	4 064
Sum revenues	**23 956**	**23 093**	**58 818**	**51 324**
Cost of goods	-6 749	-7 557	-14 795	-14 760
Personnel expenses	-11 747	-10 405	-31 930	-29 167
Other operating expenses	-4 659	-4 574	-15 691	-15 363
Sum expenses	**-23 154**	**-22 536**	**-62 416**	**-59 290**
Earnings before interest, taxes, depr. and amort.	**802**	**557**	**-3 598**	**-7 965**
Depreciation and amortization expenses	-1 321	-1 287	-4 089	-3 865
Operating profit/loss (-) (EBIT)	**-520**	**-729**	**-7 687**	**-11 831**
Finanical income, net	239	-53	194	-372
Profit/loss (-) before income tax (EBT)	**-281**	**-783**	**-7 493**	**-12 203**
Tax	0	0	0	0
Net profit/loss (-)	**-281**	**-783**	**-7 493**	**-12 203**
Basic EPS (profit for the period)	-0,01	-0,02	-0,16	-0,25
Diluted EPS (profit for the period)	-0,01	-0,02	-0,16	-0,25

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects. See note 5 for futher details*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	30.09.2019	30.09.2018*	31.12.2018*
Non-current assets			
Machinery and equipment	4 138	4 746	4 596
Intangible assets	7 133	7 033	7 551
Lease assets	15 856	18 759	18 033
Other non-current assets	-3	-12	0
Total non-current assets	**27 125**	**30 525**	**30 181**
Current assets			
Inventories	5 490	6 235	6 560
Account receivables and other receivables	22 807	22 309	16 896
Cash and cash equivalents	22 055	28 154	31 662
Total current assets	**50 352**	**56 698**	**55 117**
Total assets	**77 477**	**87 223**	**85 298**
Equity			
Share capital	48 335	48 335	48 335
Premium paid in capital	151 039	151 039	151 039
Retained earnings	-153 486	-144 842	-146 785
Non-controlling interests	1 008	783	876
Total equity	**46 895**	**55 315**	**53 465**
Other long-term liabilities			
Lease liabillities	16 671	19 083	18 466
Total other long-term liabilities	**16 671**	**19 083**	**18 466**
Current liabilities			
Accounts payable and other current liabilities	13 910	12 826	13 368
Total current liabilities	**13 910**	**12 826**	**13 368**
Total equity and liabilities	**77 477**	**87 223**	**85 298**

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects. See note 5 for futher details*

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Q3 2019	Q3 2018*	YTD 2019	YTD 2018*
Cash flow from operating activities:				
Profit after tax	-281	-783	-7 493	-12 202
Adjustment:				
Depreciation	595	561	1 911	1 688
Depreciation IFRS	726	726	2 178	2 177
Employee stock options	308	41	924	653
Non cash interest expense	201	157	561	471
Changes in working capital				
Inventory	1 093	311	1 070	-1 224
Account receivables and other receivables	-5 820	-8 580	-5 912	-7 690
Payables and other current liabilities	5 144	1 975	542	-4 302
Net cash flow from operating activities	**1 966**	**-5 590**	**-6 218**	**-20 427**
Cash flow from investing activities:				
Purchase of fixed assets	-489	-408	-608	-1 088
Invested in intangible assets	0	-251	-412	-672
Change in long term receivables	-3	15	-3	21
Net cash flow from investing activities	**-492**	**-643**	**-1 023**	**-1 739**
Cash flow from financing activities:				
Capital increase				22 051
Prinicpal portion of the lease liabillity	-789	-775	-2 366	-2 324
Net cash flow from financing activities	**-789**	**-775**	**-2 366**	**19 727**
Changes in cash and cash equivalents	686	-7 008	-9 608	-2 439
Cash and cash equivalents at the beginning of period	21 369	35 163	31 662	30 593
Cash and cash equivalents at end of period	**22 055**	**28 154**	**22 055**	**28 154**

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects. See note 5 for further details*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	Q3 2019	Q3 2018*	YTD 2019	YTD 2018*
Equity at the beginning of period	**46 869**	**56 102**	**53 465**	**44 813**
Shared based compensation	308	41	924	653
Retained earnings	-422	-940	-7 626	-12 985
Private placement - new equity				22 051
Changes in non-controlling interests	140	108	132	783
Equity at the end of period	**46 895**	**55 315**	**46 895**	**55 315**

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects. See note 5 for further details*

Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statement for the period 1. January to the 30. September 2019 have been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the Company and the Group's assets, liabilities, financial position and results of operation.

We also confirm, to the best of our knowledge, that the quarterly report includes a true and fair overview of the Company's and the Group's development, results and position, together with a description of the most important risks and uncertainty factors the Company and the Group are facing.

Oslo, 23.10.2019
The Board of Directors of Biotec Pharmacon ASA

Marie Ann Roskrow Chairperson	Arne Reinemo Director	Inger Rydin Director
Volker Wedershoven Director	Ingrid Skjæveland Director (Employee repr.)	Christian Jørgensen CEO

Notes to the interim accounts for 30. September 2019 (Q3)

Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2019 that may affect the use of accouting principles, book values of assets and liabilities, revenues and expenses are similar to the assumtions found/used in the financial statement for 2018.
These financial statements are the unaudited interim consolidated financial statements (hereafter "the Interim Financial Statements") of Biotec Pharmacon ASA and its subsidiaries (hereafter "the Group") for the period ended 30. September 2019. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year, ended 31 December 2018 (hereafter "the Annual Financial Statements"), as they provide an update of previously reported information.
The quarterly reports require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.
Income tax expense or benefit is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year. Deferred tax asset is accounted at NOK 0 in the balance sheet.

IFRS 15 Revenue from contracts with customers was effective from 01.01.2018. The Group has evaluated the potential implications of the standard and have not identified any remunerative contracts which will change the practice for recognition and measurement of sale.

Note 2 - Analysis of operating revenue and -expenses, segment information

Services provided by the parent company are expensed at both segments according to agreements with actual subsidiary.
Corporate overhead costs remain unallocated.

(Amounts in NOK 1 000)	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Sales revenue:				
Beta-Glucans	10 490	12 372	25 288	25 447
Enzymes	11 986	9 776	28 857	21 814
Group operating sales revenues	**22 476**	**22 148**	**54 145**	**47 261**
Gross profit				
Beta-Glucans	4 140	5 033	11 607	11 283
Enzymes	11 587	9 558	27 743	21 219
Group gross profit	**15 727**	**14 591**	**39 350**	**32 501**
Other revenues				
Beta-Glucans	701	499	2 049	1 498
Enzymes	779	446	2 624	2 566
Group other revenues	**1 480**	**945**	**4 673**	**4 064**
Operating expenses:				
Beta-Glucans	-6 651	-7 597	-18 311	-21 759
Enzymes	-8 535	-6 602	-25 078	-19 726
Unallocated corporate expenses	-1 220	-780	-4 233	-3 045
Group operating expenses	**-16 405**	**-14 978**	**-47 621**	**-44 530**
Operating profit/loss (-) (EBITDA)				
Beta-Glucans	-1 809	-2 065	-4 655	-8 978
Enzymes	3 831	3 402	5 289	4 059
Unallocated corporate expenses	-1 220	-780	-4 233	-3 045
Operating profit/loss (-) (EBITDA)	**802**	**558**	**-3 598**	**-7 965**
Depreciation and amortization:				
Beta-Glucans	-797	-733	-2 391	-2 200
Enzymes	-488	-475	-1 463	-1 426
Unallocated corporate expenses	-37	-78	-234	-239
Group depreciation and amortization	**-1 321**	**-1 287**	**-4 089**	**-3 865**
Profit/loss (-) before income tax (EBIT)				
Beta-Glucans	-2 606	-2 798	-7 046	-11 178
Enzymes	3 343	2 927	3 826	2 633
Unallocated corpoate expenses	-1 257	-858	-4 467	-3 284
Profit/loss (-) before income tax (EBIT)	**-520**	**-729**	**-7 687**	**-11 831**

Note 3 Share options

The Group has a share based option scheme. Per 30.09.2019, there were 0 outstanding options in the Group. The fair value of the historic services received from the employees in return for the options granted is recognized as an expense in the consolidated profit and loss statement. Total expense for the options are accrued over the vesting period based on the fair value of the options granted, excluding impact of any vesting conditions that are not reflected in the market. Criteria's not reflected in the market, affect the assumptions about the number of options expected to be exercised. At the end of each reporting period, the Company revises its estimates of the number of options expected to be exercised. It recognizes the importance of the revision of original estimates in the consolidated profit and loss statement with a corresponding adjustment in equity.

The net value of proceeds received less directly attributable transaction expenses are credited to the share capital (nominal value) and the share premium reserve when the options are exercised.

	2019		2018	
	Average exercise price	Number of share options	Average exercise price	Number of share options
As of 01.01.	11.93	362 000	14,95	972 000
Expired during the year	11.93	362 000	16,74	610 000
Outstanding at 30. September		**0**		**362 000**

CEO Christian Jørgensen has an agreement giving him the right to receive 500 000 options:

Awarded options	Option strike price	Options earned at share
100 000	NOK 8.00 per share	NOK 11.00 per share
100 000	NOK 8.00 per share	NOK 14.00 per share
100 000	NOK 8.00 per share	NOK 17.00 per share
100 000	NOK 8.00 per share	NOK 20.00 per share
100 000	NOK 8.00 per share	NOK 23.00 per share

Christian Jørgensen's options have a three-year vesting period and a two-year declaration period after award (05.09.2017) CFO B. Sørvoll, CSO R.Engstad and MD ArcticZymes J. Holter has been awarded 200.000 options each under the same program as the CEO. The vesting period is three years (2018-2020), with an additional two-year declaration period (until 2022).

Expiry date, exercise price, and outstanding options:

		2019	2018
Expiry date	Average exercise price	Number of share options	
2019, 31 May	11.93	362 000	362 000
Outstanding at 30. September		**0**	**362 000**
Exercisable options at 30. September		0	362 000

The fair value of employee share options are calculated according to the Black-Scholes method. The most important parameters are share price at grant date, exercise prices shown above, volatility (2016, 2017: 66.3%, 58.4%), expected dividend yield (2016,2017: 0%), expected term of 3 years, annual risk free interest rate (2016, 2017:1.53%, 1.50%). The volatility is based on market data from the last year. The fair value is expensed over the vesting period. Per 30.09.2019 a total of NOK 18.7 million had been expensed, of which NOK 0.3 million applies to Q3 2019. The Company has no obligations, legal nor implied, to repurchase or settle the options in cash unless general assembly declines to renew its authorization to issue new shares.

Note 4 Fixed assets

Machinery & equipment	Q3		YTD	
(Amounts in NOK 1 000)	2019	2018	2019	2018
Net book value (opening balance)	4 003	4 647	4 596	4 589
Net investement	486	408	608	1 088
Depreciation and amortization	-351	-309	-1 066	-928
Net book value (ending balance)	**4 138**	**4 746**	**4 138**	**4 746**

Intangible asset	Q3		YTD	
(Amounts in NOK 1 000)	2019	2018	2019	2018
Net book value (opening balance)	7 423	7 034	7 551	7 119
Net investement	0	251	412	672
Depreciation and amortization	-290	-253	-830	-761
Net book value (ending balance)	**7 133**	**7 033**	**7 133**	**7 033**

Lease assets	Q3		YTD	
(Amounts in NOK 1 000)	2019	2018	2019	2018
Net book value (opening balance)	16 582	19 485	18 033	20 933
Depreciation	-725	-725	-2 176	-2 171
Net book value (ending balance)	**15 856**	**18 762**	**15 856**	**18 762**

Intangible assets (Research and development, patents and licenses):

Research expenses are expensed when incurred. Development of products are capitalized as intangible assets when:

- It is technically feasible to complete the intangible asset enabling it for use or sale.
- Management intends to complete the intangible asset and use or sell it.
- The Company has the ability to make use of the intangible asset or sell it.
- A future economic benefit to the Company for using the intangible asset may be calculated.
- Available technical, financial and other resources are sufficient to complete the development and use of or sale of the intangible asset.
- The development expense of the intangible asset can be measured reliably.

Intangible assets are depreciated by the linear method, depreciating the acquisition expense to the residual value over the estimated useful life, which are for each group of assets: Product rights (5-10 years) and own product development (10-12 years)

Other development expenses are expensed when incurred. Previously expensed development costs are not recognized in subsequent periods. Capitalised development costs are depreciated linearly from the date of commercialization over the period in which they are expected to provide economic benefits. Capitalised development costs are tested annually by indication for impairment in accordance with IAS 36.

Note 5 Lease assets

IFRS 16 Leases regulates matters relating to leased assets. It requires all leases to be recognized in the statement of financial position as a right to use asset with subsequent depreciation. This standard was endorsed 31.10.2017 by the EU and was implementated 01.01.2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17. At the commencement date the lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Agreements and contracts coming in under IFRS 16 are recognized as an asset and liability. This has a positive impact on EBITDA and increase fixed assets for the Group. It will also effects some KPI´s. The Group´s contracts contain same type of assets and is calculated using the same model. The Group use a full retrospective method and a 3% discount rate. The lease period includes options. Variable expenses are excluded from lease period and is not recognized.

(Amounts in NOK 1 000)

Financial position	30.09.2019 IFRS 16 adjusted	30.09.2018 IFRS 16 adjusted	01.01.2019 IFRS 16 adjusted
Lease assets	15 856	18 762	18 033
Fixed assets	11 272	11 779	12 148
Other non-current assets	-3	-12	
Sum Fixed assets	**27 124**	**30 528**	**30 181**
Lease liabilities	16 671	19 134	18 466
Current liabilities	13 910	12 826	13 368
Sum liabilities	**30 581**	**31 960**	**31 834**

1. Right of use is calculated from inception of contract
2. Net present value of liability maturing more than 12 months
3. Next years instalment is part of current liabilities

Profit & Loss statement	30.09.2019	30.09.2018*	30.09.2018	Changes
Sum revenues	58 818	51 324	51 324	0
Property, plant & equipment	-2 519	-2 612	-4 789	2 177
Other expenses	-59 897	-56 824	-56 824	0
Sum expenses	-62 416	-59 436	-61 613	2 177
EBITDA	**-3 598**	**-8 112**	**-10 289**	**2 177**
Depreciation	-4 089	-3 865	-1 688	-2 177
EBIT	**-7 687**	**-11 978**	**-11 978**	**0**
Net financials	194	-372	99	-471
EBT	**-7 493**	**-12 349**	**-11 878**	**-471**

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects.*

Note 6 Related party disclosures

Shares owned or controlled by directors and senior management per 30. September 2019:

Name, position	No of shares	No of options
Marie Roskrow, Chairperson	0	0
Inger Rydin, Director	0	0
Volker Wedershoven, Director	0	0
Arne Reinemo, Director	0	0
Ingrid Skjæveland, Director	16 087	0
Marit Sjo Lorentzen, employee observer	20 331	0
Christian Jørgensen, CEO	77 000	*
Børge Sørvoll, CFO	25 428	*
Rolf Engstad, CSO Biotec BetaGlucans AS	581 174	*
Jethro Holter, Managing Director ArcticZymes AS	564	*
Finn Ketler, VP Wound Care, Biotec Betaglucans AS	0	0

*See note 3 for further details

Note 7 Shareholders

The 20 largest shareholders as of 30. Sept. 2019	Shares	Ownership
Ormestad Tellef	3 581 931	7,41 %
Pro AS	2 307 216	4,77 %
Aka AS	1 450 000	3,00 %
Clearstream Banking	1 441 594	2,98 %
Danske Bank Operation	1 330 977	2,75 %
MP Pensjon	1 173 239	2,43 %
Birkeland Odd Knut	1 030 000	2,13 %
Belvedere AS	971 647	2,01 %
Nordnet Bank AS	928 410	1,92 %

Nordnet Livsforsikring	839 818	1,74 %
Progusan AS	750 026	1,55 %
Isar AS	699 853	1,45 %
Hartvig Wenneberg II	696 033	1,44 %
Middelboe AS	603 173	1,25 %
Dragesund Invest AS	597 891	1,24 %
Nordea Bank AB Danmark	593 548	1,23 %
Engstad Rolf Einar	581 174	1,20 %
Spar Kapital Investor	578 714	1,20 %
Catilina Invest AS	470 000	0,97 %
Jomani AS	469 922	0,97 %
20 largest shareholders aggregated	**21 095 166**	**43,64 %**

Note 8 Interims result

(Amounts in NOK 1 000)	Q3-2019	Q2-2019	Q1-2019	Q4-2018*	Q3-2018*
Sales revenues	22 476	16 853	14 816	19 508	22 148
Sales growth % (year-over-year)	1 %	55 %	4 %	10 %	53 %
Gross profit %	70 %	69 %	81 %	76 %	66 %
EPS	-0,01	-0,04	-0,11	-0,04	-0,01
EPS fully diluted	-0,01	-0,04	-0,11	-0,04	-0,01
EBITDA	802	-491	-3 909	-867	557
Equity	46 895	46 869	48 482	53 267	55 315
Total equity and liabilities	77 477	73 212	76 859	85 298	87 223
Equitiy (%)	61 %	64 %	63 %	62 %	63 %

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects.*

Note 9 Alternative Performance Measures

Information provided is based on Guidelines on Alternative Performance Measures (APMs) for listed issuers by The European Securities and Markets Authority - ESMA
Biotec Pharmacon ASA reports EBITDA as performance measure that is not defined under IFRS but which represent additional measure used by the Board as well as by management in assessing performance as well as for reporting both internally and to shareholders.
Biotec Pharmacon ASA belives that to use EBITDA will give the readers a more meaningful understanding of the underlying financial and operating performance of the company when viewed in conjunction with our IFRS financial information.

EBITDA & EBIT
We regard EBITDA as the best approximation to pre-tax operating cash flow and reflects cash generation before working capital changes. EBITDA is widely used by investors when evaluating and comparing businesses, and provides an analysis of the operating results excluding depreciation and amortisation. The non-cash elements depreciation and amortization may vary significantly between companies depending on the value and type of assets.
The definition of EBITDA is “Earnings Before Interest, Tax, Depreciation and Amortization” and EBIT is Earnings Before Interest and Taxes. The reconciliation to the IFRS accounts is as follows:

(Amounts in NOK 1 000 - exept EPS)	Q3		YTD	
	2019	2018*	2019	2018*
Sales	22 476	22 148	54 145	47 261
Cost of goods	-6 749	-7 557	-14 795	-14 760
Gross profit	**15 727**	**14 591**	**39 350**	**32 501**
Other revenues	1 480	945	4 673	4 064
Sum other revenues	**1 480**	**945**	**4 673**	**4 064**
Personnel expenses	-11 747	-10 405	-31 930	-29 167
Other operating expenses	-4 659	-2 397	-15 691	-15 363
Depreciation and amortization expenses	-1 321	-3 464	-4 089	-3 865
Sum expenses	**-17 727**	**-16 266**	**-51 710**	**-48 396**
Operating profit/loss (-)	**-520**	**-729**	**-7 687**	**-11 831**

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects.*

Note 10 Account receivables and other receivables

(Amounts in NOK 1 000)	30.09.2019	30.09.2018
Accounts receivables	16 734	17 791
Reserach grants	493	-144
Tax grants	4 544	4 455
VAT	99	427
Other receivables	937	-221
Total account receivables and other receivables	**22 807**	**22 309**

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 30.09.2019	13 743	1 232	410	655	694
Historical loss - %	0 %	0 %	0 %	0 %	0 %
Future estimation of losses - %	0 %	0 %	0 %	0 %	0 %
Expected loss	0	0	0	0	0
Provision for losses	**0**	**0**	**0**	**0**	**0**

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 30.09.2018	15 100	477	671	1 029	514
Historical loss - %	0 %	0 %	0 %	0 %	0 %
Future estimation of losses - %	0 %	0 %	0 %	0 %	0 %
Expected loss - %	0 %	0 %	0 %	0 %	0 %
Provision for losses	**0**	**0**	**0**	**0**	**0**

Biotec's main customers are large corporations and Universities. Historic losses on receivables are close to zero. Due to payment system in the US and interaction with Norway, all payments from the US will be recorded later than actual payment.

Note 11 Account payable and other current liabilities

(Amounts in NOK 1 000)	30.09.2019	30.09.2018
Accounts payable	7 361	6 448
Public taxes and withholdings	1 146	1 195
Unpaid holiday pay	2 061	2 193
Other personnel	2 182	1 252
Other current liabilities	1 160	1 737
Total account payable and other current liabilities	**13 910**	**12 826**

Note 12 Events after balance sheet date, 30. September 2019

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 23.10.2019

Oslo, 23 October 2019
The Board of Directors of Biotec Pharmacon ASA

Marie Ann Roskrow Chairperson	Arrne Reinenmo Director	Inger Rydin Director
Volker Wedershoven Director	Ingrid Skjæveland Director - employee repr.	Christian Jørgensen CEO